

TECHNICAL UNIVERSITY OF OSTRAVA  
FACULTY OF ECONOMICS

DEPARTMENT OF FINANCE

Selection of the most appropriate student's bank account in the Czech Republic on the basis of  
consumer preferences

Výběr nejvhodnějšího studentského  
bankovního účtu na základě analýzy preferencí studentů v bankovníctví

Student: Jiří Rýdel

Supervisor of the diploma (bachelor) thesis: Ing. Josef Novotný

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I hereby affirm that I have independently elaborated the whole work including all annexes.

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Date

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Jiří Rýdel

## **Abstract**

The aim of this paper is to examine student consumer behaviour in retail banking and on the basis of this analysis find out, which student's bank account meets best student needs and expectations. Students from the Czech Republic, VSB – Technical University of Ostrava, Faculty of Economic, were chose as a population. The research is undertaken in the Czech Republic, because there is a gab in literature focused on student consumer behaviour in retail banking. Moreover this gap caused that all analysis of student bank accounts in the Czech Republic were based on subjectively chosen evaluation criteria. Therefore in this research is firstly the student consumer behaviour in retail banking examined and on the basis of student expectations and preferences is the multi criteria analysis used to analyse the offer of student bank accounts in the Czech Republic. The student consumer behaviour analysis in retail banking shows that for decision of Czech students are more important factors such as price of product, product features, range of service offered, goodwill of bank and ATM network. Impact of factors such as parent recommendations, friends recommendations and advertisement seems to be lower than in previous researches. It was also found that Czech students prefer basic financial services connected to their account for free instead of more sophisticated features. It was also examined that for Czech students are factors such as overdraft facilities and loan to study unimportant.

However, due to very small number of respondents should be results of this research taken carefully.

## **Acknowledgement**

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## **List of abbreviations**

CNB – Czech National Bank (Česká národní banka)

CZSO – Czech Statistical Office

CBA – Czech Banking Association (Česká bankovní asociace)

KB – Komerční banka

CSOB – Československá obchodní banka

VS – TUO – Vysoká škola báňská – Technical University of Ostrava

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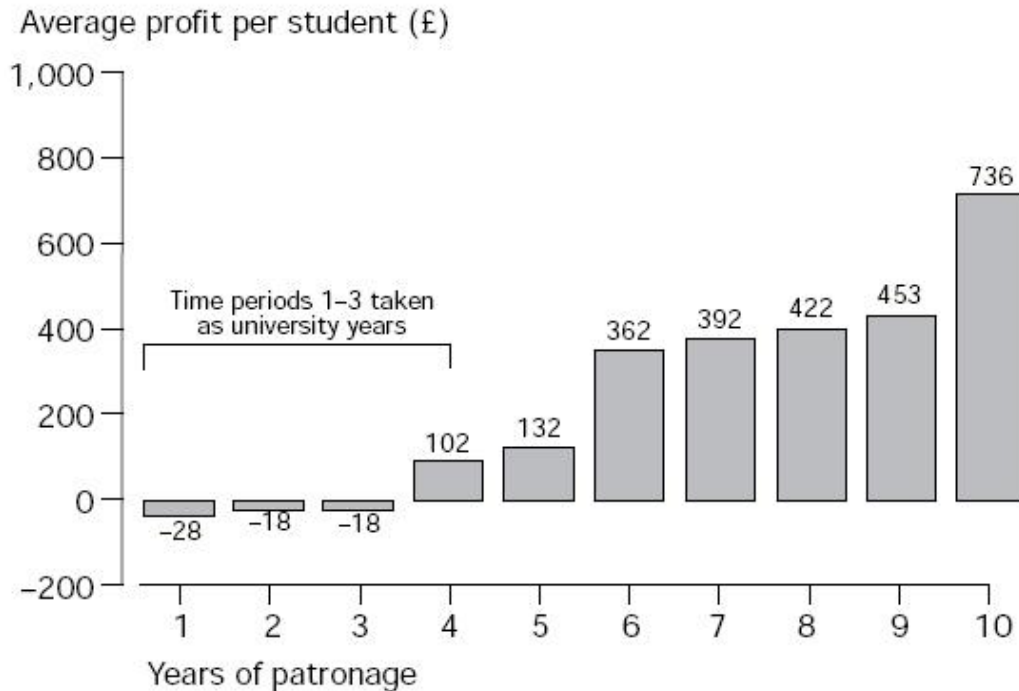
# 1. Introduction

Students are interesting group of customers for all sectors of economy. The number of students is rapidly growing nowadays and therefore their economic potential is growing as well. It is possible to see special offers for students in bars, clubs, restaurants, taxis and of course in retail banking (Gascoigne, 1998, Bokaie, 2006).

Retail banks found out that students are interesting group of customers with specific needs. Usually students are more price sensitive than the rest of population and price of product is crucial for them (Anderson, 1986, Tyler 2003). Because students have specific needs, banks, in order to fulfil their needs, offer to students a special type of current account – student bank account.

Student bank accounts are very interesting products not just for students (because they usually get more sophisticated product for reasonable price), but also for banks. From the banks' point of view students are interesting group of customers, because it is expected that students will get well paid jobs after their graduation (Fry *et al.*, 1986, Colgate *et al.*, 1996). As can be seen on following illustration students are profitable for banks just from long point of view and therefore banks try to make from students lifetime clients (Colgate *et al.*, 1996, Jerving, 2007).

**Figure 1.1: Average profit per student**



Source: (Colgate *et al*, 1996)

or mortgage by the same bank (Smith, 2002). It also exist presumption that students would purchase more financial products in their future than the rest of population (Colgate *et al*, 1996). Finally as was mentioned above, number of students is rapidly growing. For instance, in the Czech Republic the percentage of university students in 2002 was 15% and in 2008 it was 2

It was also investigated that current accounts are a gate to other bank products such as loans, mortgages etc. If customers are satisfied with their current account, they usually buy loan 5% of population in age from 20 to 29 (CZSO, 2010). Banks try to react on this situation and therefore they create sophisticated products for students such a student bank accounts. According to all above mentioned, students are very interesting and potentially profitable group of customers for banks.

As was mentioned above students have specific needs and therefore if banks want to succeed in this market, they need to know students expectations and preferences as good as possible. Unfortunately as Smith (2002) noted, banks sometimes fail in student market because they do not understand student needs and therefore it is necessary to analyse customer behaviour in retail banking carefully.

Several articles exist in English written literature, which are focused on student decision making process in retail banking. These researches found out that on students have impact factors such as parents recommendation, friends recommendation, convenience of location, range of service offered etc. (Lewis, 1982, Anderson, 1986, Colgate *et al*, 1996, Tyler 2003). Other researches, which were undertaken in countries with different culture background, found that on students have impact also other factors such as parking place close to branch, ATM network etc. (Amlossawi, 2001). Because student from different countries have other needs and expectation, it is difficult to apply results of researches from one country on students from other countries. Since no researches focused on student consumer behaviour in retail banking were undertaken in the Czech Republic, this research is undertaken Czech Republic, in order to fill the gap in existing literature, because the lack of literature focused on this topic may affect bank products because banks are not offering products, which students expect.

This research is focused just on students from VSB – Technical University of Ostrava, this is because the author of this research did not have enough resources to conduct the research among students from different universities.

### ***1.1 Aim and objectives***

The aim of this research is to analyse student consumer behaviour in retail banking in the Czech Republic and on the basis of results of student consumer behaviour analysis, analyse offer of student bank accounts in the Czech Republic. To reach the aim of this dissertation, several research questions were stated.

Students were asked which factors have the biggest influence on their decision making process. Second research question is focused on importance of different student bank accounts features for students. And finally the last research questions examined student defection rate in retail banking.

Due to answers on above mentioned questions it will be possible to identify, which factors have decisive impact on students decision, which student bank account features are most important for students and how big is the defection rate among students in the

Czech Republic. Moreover it would be possible to use multi criteria analysis to find out, which student bank account meets best student expectation and preferences.

## ***1.2 The structure of the dissertation***

This dissertation is divided into two main sections – Theoretical and Practical.

The theoretical part is divided in two main sections – Literature review and Methodology.

The aim of literature review is to make reader familiar with current literature, which is focused on the topic of this dissertation. First part is focused on financial system, banking and student banking. Second section is focused on consumer behaviour in general and then on consumer behaviour in retail banking. Final part of literature review is focused on banking in the Czech Republic, history of Czech banking, role of central bank, impact of economic crisis on Czech banking system as well as offer of student bank accounts in the Czech Republic.

The Methodology chapter begins with research questions, which were formulated in order to meet the aim of this research. Methods of data collection, their advantages and disadvantages are also described in this chapter. It was also necessary to mentioned limitations of this research and the limitations are also mentioned and explained there.

The practical part of this research begins with chapter called Results. This chapter presents profile of respondents, answers on research questions and also correlations between chosen variables were conducted there. In this chapter is the multi criteria analysis undertaken and analyse of overall offer of student bank accounts in the Czech Republic is conducted there.

The second chapter of practical part is called Discussion. Results of this research are commented and linked to literature review there. This chapter ends with several recommendations, which are focused on different users of this research. The recommendations are intended for students, banks and to future researchers.

The last chapter summarize the whole dissertation, aim, objectives and research questions are once more mentioned there and then results and answers on research questions are briefly summarized there.

## **2. Literature review**

The aim of this chapter is to summarize existing literature regarding to this topic, it means literature, which is focused on financial systems, banking and banking product as well as literature focused on consumer behaviour and student decision making in retail banking. Literature review has been divided into three main parts. The first part deal with financial systems and banking and the second one is focused on consumer behaviour and students as consumers in retail banking. The last part is focused on banking in the Czech Republic and introduces the history of Czech banking, the role of central bank, impact of economic crisis on Czech financial system and offer of student bank accounts.

### ***2.1 Financial systems and banking***

This part of literature review is focused on banks as institution, types of banking systems, their advantages and disadvantages, in next section is described which kind of services banks provide to their consumers.

#### **2.1.1 Financial systems**

Howells and Bain define financial system as “set of markets for financial instruments, and the individuals and institutions that trade in those markets together with the regulators and supervisors of the system” (Howells, Bain, p4, 2004).

Financial systems are important for economic development and therefore economically developed countries have well developed financial system. The primary task, of financial systems, is to redistribute funds from those who have surplus of funds to those who have lack of funds (Howells, Bain, 2004).

The redistribution of money, as was said, is the most important task of financial systems. Financial systems make it a lot easier for lenders to allocate their surplus of money to borrowers. From theoretical point of view, the redistribution would be possible without financial systems as well but it would be much more difficult (Howells, Bain, 2004; Dilley, Deborah, 2008).

Lenders and borrowers have three basics ways, how to satisfy their financial needs. First of them is when lenders and borrowers communicate directly between each other. This

type of redistribution of fund is called a direct redistribution. It is obvious that this kind of redistribution is very risky and inefficient. The second one can be characterised as concentrated market. This kind of funds exchange reduces searching costs and is also safer than previous method. The last possibility, how to allocate funds between borrowers and lenders, is to use some financial intermediaries. Financial intermediaries are institutions which mediate redistribution of funds between borrowers and lenders. This type of transaction is most time saving and also the safest one (Howells, Bain, 2004).

Now, when the main purpose of financial systems was defined, it is worthy to mention that it exist different types of financial systems. These systems differ between each other in a role of central bank as regulation institution and also in an attitude of private sectors to commercial banks (Howells, Bain, 2008). The differences between bank systems and function of its supervisor come from different roots. According to Ergungor and Emge (2002) the differences in banking systems are connected with different industry development during industry revolution and are also linked with applicable law in particular countries (Ergungor, Emge, 2002).

It is distinguished between two types of financial systems and that “market –based” (Howells, Bain, p. 20, 2008) and “bank – based” (Howells, Bain, p. 20, 2008). The difference between these two types of financial systems lays in proportion of market funds and bank funds on corporate finance. (Howells, Bain, 2008) Banking financial sources create in bank – based financial systems about 20 per cent of corporate financing, whereas market financial sources create just 4 per cent of corporate financing. Countries with bank – based systems are Germany, France and Japan, while United Kingdom and USA belong to countries with market – based financial system (Howells, Bain, 2008). This evidence is supported by Ergungor and Emge that note that there is a significant different in financial systems between countries, which follow common law and civil law. Market – based countries follow common law and bank – based financial systems are dominant in countries, which follow common law (Ergungor, Emge, 2002).

Regardless whether it is bank – based or market – based financial systems there is a strong need of financial system regulation. One and also the most important reason why



financial service providers are monitored by government and other institution is that bankrupt of financial systems would have devastating impact on whole society (Howells, Bain, 2008). Especially deposit – taking institutions are subject of strong regulation. This is because deposit – taking institutions are key part of payment system and failure of deposit – taking institution would have dire consequence on their clients and may result in collapse of financial system (Howells, Bain, 2008).

All banks systems have one thing in common and that central bank should acts as key institution of finance market regulation (Fleming, *et al*, 2004). Particular tasks of central banks depend on legislation and on a type of financial systems (Fleming , *et al*, 2004). Nevertheless Llewellyn and David (1999) pointed out following central bank tasks, which are common for most countries.

**Table 2.1: Common tasks of central banks**

<b>central banks are accountable for payments system</b>
<b>central banks supply liquidity to the banking system</b>
<b>central banks maintain price level</b>
<b>central banks set up interest rates</b>
<b>central banks hold mandatory reserves</b>
<b>central banks are responsible for financial stability of whole county</b>
<b>central banks regulate and superintend other financial institutions</b>
<b>Central banks do not have to be necessary responsible for regulation and supervision, in such situations there must exist close cooperation between central bank and supervising institution</b>

Source: Llewellyn, (1999)

If central banks want to meet their objectives effectively, they should be independent of government. It exist broad general agreement among economists that independent central bank are more effective. The independence means that central bank policy is not

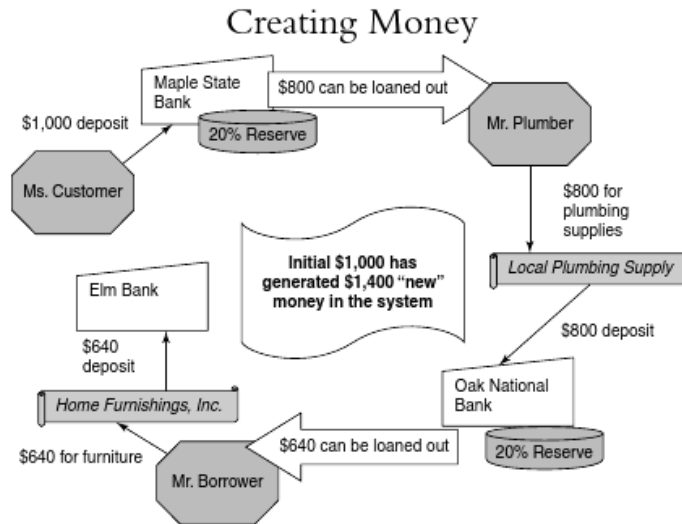
affected by government and therefore the policy could be planned on longer time period (Howells, Bain, 2008).

### **2.1.2 The role of banks in economy**

Banks are part of financial systems and banks are most important part of deposit – taking institutions. Banks work like intermediaries and they allow allocation of money between lenders and borrowers. (Howells, Bain, 2008). It exist large number of bank definitions, which focus on banks from different points of view. Howells and Bain say that “Banks and other deposit taking institutions are financial intermediaries whose assets consist overwhelmingly of loans to a wide variety of borrowers and whose liabilities consist overwhelmingly of deposits” (Howells, Bain, p. 32, 2008). Definition according to Dilley and Deborah describes banks like “an establishment for the custody, loan, exchange, or issue of money, for the extension of credit, and for facilitating the transmission of funds” (Dilley, Deborah pp.4, 2008).

There is a large volume of published studies describing the role of banks in economy. All of these studies accord with idea that banks have irreplaceable role in creating money (Dilley, Deborah, 2008, Howells, Bain, 2008), banks are also important for payment mechanism in country (Howells, Bain, 2008) and they also allocate funds from lenders to borrowers and they satisfy customers’ needs (Dilley, Deborah, 2008; Howells, Bain, 2008). Following picture explains, how banks create money in economy.

**Figure 2.1: How banks create money**



Source: Dilley, Deborah, (2008)

This picture presents a way in which banks create money. For understanding of this picture it is necessary to say, that banks need to create a reserve form each deposit. Reserves are a percentage from deposits, the percentage is set up by central bank. Because reserves create no money, it is not worthy for bank to keep whole deposit as reserve. Therefore banks lend or invest the rest of money. So bank will lent the rest of money and probably the borrower will invest this money and the extra money would go to another bank account and the situation will continue (Dilley, Deborah, 2008, Samuelson, Nordhaus, 1998).

As different financial systems exist around the world, also bank systems are slightly different in different countries. Recent literature distinguishes two types of banking system. It is distinguish between competitive banking systems and concentrated banking systems (Howells, Bain, 2008). According to Howells, Bain, Ergungor and Emge the different between these two systems come from history of countries. Competitive banking system is typical for USA, whereas concentrated banking system is usual in European countries such as Germany, France and UK (Howells, Bain, 2008). The different between these two systems are obvious from their names. In concentrated banking system is market controlled by small number of banks, whereas for competitive banking system is typical that market is divided between huge numbers of institutions (Howells, Bain, 2008). Theoretically concentrated market should be more convenient for banks, whereas competitive market is more convenient for bank customers. Recent

researches show that this theoretical aspect doesn't have to be always true. As Shaffer and Cetorelli mentioned, that too many competitors on market may result in lack of funds in single bank accounts and thus may end in higher interest rates than in less competitive markets (Shaffer, 1994, Cetorelli, 2001). To support this idea Cetorelli mentions example of pale of grow of young companies. Cetorelli says, that "... younger firms in industries that are heavily dependent on banks for investment funds actually seem to grow faster if they deal with a concentrated banking sector." (Cetorelli, p. 14, 2001). If we want to answer the questions which banking system is better, recent researches show that the banking system must be balanced. Extremely concentrated bank system has very negative impact on economy as well as extremely competitive market (Cetorelli, 2001).

When we focus on banks in these different banking systems, we find out that in both systems exist banks with different function. The different between banks could be in their specialization, size, end – consumers, products etc. Two basic types of division predominate in recent literature.

First of them is according to variety of product range, which is offered by bank and second type distinguish between banks according to banks end – customers. The first type of bank division distinguishes between banks by variety of products which they offer to their customers. Banks are distinguished into two main groups – universal and specialized banks (Howells, Bain, 2008). Specialized banks are banks, which are interested just in single part of financial services. It exists:

**Table 2.2: Different types of specialized banks**

<b>commercial banks</b>
<b>corporate banks</b>
<b>universal banks</b>
<b>investment banks</b>

Source: Howells, Bain, (2008)

Commercial banks are keen on traditional bank business such as, deposit taking, lending etc. Commercial banks offer their services to households and to small entrepreneurs. Corporate banks offer similar products as retail banks but their customers are primarily

medium –size companies and huge companies. The next type of banks according to Howells and Bain are investment banks. These banks are focused just on companies and they offer more diverse and sophisticated range of product and services. Expect these banks, which are specialized on these markets exist also universal banks, these banks provide huge variety of services and are interested in both markets.(Howells, Bain, 2008).

The second type of division distinguishes between wholesale banks and retail banks. The main different between these two kinds of banks is in their end – Consumers (Howells, Bain, 2008). According to Howells and Bain wholesale banks are focused in providing service to large companies (Howells, Bain, 2008). This group of banks provides various range of specialized product to satisfy companies’ needs. Wholesale banks service includes activities from “deposit – taking and lending to firms through to assets management” (Howells, Bain, p. 35, 2008).

### **2.1.3 Banking products**

As had been said before, one of primary bank tasks is to satisfy customer needs (Dilley, Deborah, 2008). This is the reason why banks offer so huge range of products. Banking product could be divided in two main groups: “Deposit and transaction accounts and Loans and credit accounts” (Dilley, Deborah, pp.8, 2008). Banks have different tasks in these two types of products. In the first group they act like debtors, because they obtain money from their clients and they have to pay interest for it. In the second group of product are bank in a position of lenders and they lend financial assets to their clients (Dilley, Deborah, 2008)

Deposit and transaction accounts could be next divided in to followings products:

**Table 2.3: Type of transaction accounts**

<b>transaction accounts (also called as: checking accounts, current accounts)</b>
<b>saving accounts</b>
<b>certificate accounts</b>

Source: Dilley, Deborah, (2008)

Loans and credit accounts could be divided, according to Dilley and Deborah (2008), in to three elementary groups: - short term loans; - long term loans; - line of credits.

It is useful to focus back on deposit and transaction accounts especially on transaction accounts. These accounts have similar characteristics and features as student bank accounts (Bouronova, 2010) and thus, it is necessary to introduce main functions, advantages and disadvantages of current accounts. Current account are described as deposit accounts and these accounts are daily used by client to pay their bills, withdraws etc. (Dilley, Deborah, 2008). According to Dilley and Deborah the potential disadvantage of these accounts is, that these accounts are usually more expensive and clients have to pay higher fees for this kind of service (Dilley, Deborah, 2008), interests rates are low and these accounts are not useful for savings (Dilley, Deborah, 2008). On the other hand Hogarth *et al* (2008) and Smith (2002) argued that these accounts are necessary to get other bank products and to build up your own finance independence. Although it may not be obvious, it is crucial for banks to have as many clients which have current accounts as possible, because it exist strong presumption that these clients would prefer the same bank also for other banking products (Smith, 2002). Students' accounts have the same features as ordinary current accounts, but usually they are free of charge and they offer some advantages to students, like free online banking, free insurance, free withdraws etc. (Bouronova, 2010).

#### **2.1.4 Student banking**

There is a considerable amount of literature describing the role of student banking and about students as consumers, but majority of these studies were published in countries where students need to participate on the price of their education. Also most of these studies are focused on reaching student, students fluctuation etc.

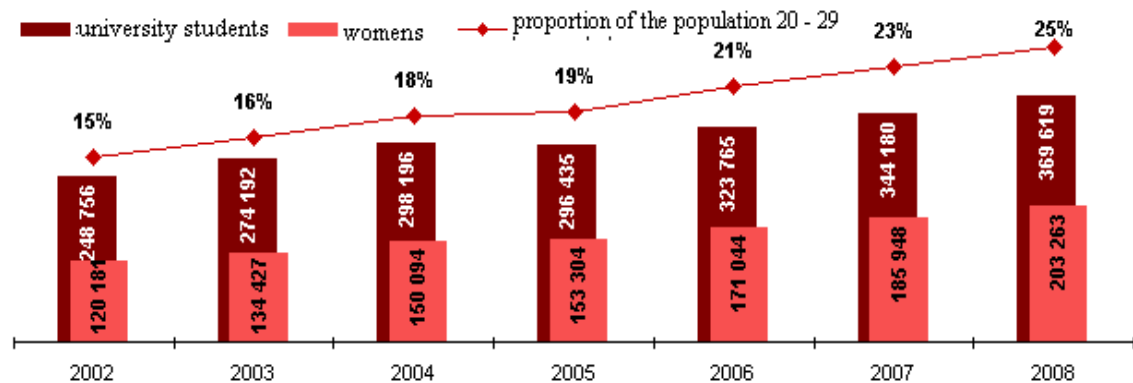
Students became an interesting market for banks during 1970s in UK, when banks recognised that students need bank account to pay tuition fees (Lewis, 1982). From it follows that student banking products are closely connected with the state higher education policy. Moreover this presumption supports Dilley's and Deborah's definition of bank product, which says that banking products should on first place fulfil consumer needs (Dilley, Deborah, 2008).

In countries where students have to participate on financing of their education, students are extremely profitable sector, especially when private funding is more and more important (Peterson, 2004). For instance, in the US the government cut the state funding on higher education and as Peterson says: “the number of students is increasing dramatically, tuitions are going up and state funding is being cut, so parents and students are looking for a way how to pay the bills” (Peterson, p. 51, 2004). The gap between tuitions and government funding is going to be bigger and bigger and that offer a great opportunity to banks to fill this gap with their products, banks are of course aware of this fact and are doing their best to catch this opportunity and fill the growing gap (Peterson, 2004).

In countries where students have to participate on price of their education, student loans could create an important role in bank portfolio and could help banks to cope with economic problems during crisis, because student loans are long term assets (Peterson, 2004).

According to above mentioned student market is important for banks, this is supported by many studies, which have been conducted in this area. Recent studies have reported that students are group of great importance for banks (Lewis et al., 1991, Colgate, 1996, Tank and Tyler 2006). Banks try to gain students as soon as possible, because they believe that students could be lifetime clients. (Lewis *et al.*,1991) Banks also suppose that students will get well paid jobs early after graduation and that make from them high valued consumers (Colgate *et al.*,1996). It also exist strong presumption that students would buy more financial products in the future than the rest of population and this is just another important point for banks, why to focus on students (Colgate *et ale.*, 1996). Also the students market is still growing and that means for bank that their revenues could possibly increase in future (Lewis, 1982, CSU, 2010).

**Figure 2.2: Growing number of Czech students**



Source :CZSO, (2010)

The main challenge for banks it to catch and exploit the opportunity of students market.

In order to succeed on this market banks need to know the characteristics of students market, this market is highly competitive, due to low differentiation of products and highly informed consumers, which have even more access to information than ever before (Brandt, 2005). In order to succeed under this conditions banks offer students sophisticated products. These products offer students free overdrafts, free student cards, free travel insurance etc. (Brandt, 2005). Brandt adds to these factors that current students expect very high level of services (Brandt, 2005). They expect from their banks personal attitude to their needs, face to face contact, and personal relationship with their bank assistant. Other important aspect for them is full online banking, it stands for that



every service will be accessible online (Brandt, 2005). Tyler agrees with Brands' opinion and adds one important assumption of successful student bank product. Successful student bank product must be free or with small fees (Tyler, 2003).

Moreover nowadays students are much more market-literate and it is much more difficult to influence them (Tyler, 2003). If banks want to attract students appropriately, they need to know what influences students during their decision making process. Because as Smith (2002) says, much of advertising effort of banks is ineffective and this is mainly because banks don't understand young consumer needs. Therefore more information about students' needs and expectations is given in next chapters, it is crucial for banks to understand students, if banks want to succeed.

## **2.2 *Consumers behaviour***

Consumer behaviour could be defined as “the acts of individuals directly involved in obtaining and using economic goods or services including the decision process that precede and determine these acts” (Lancaster, Reynolds, p. 43, 1998). Consumer behaviour is influenced by three types of factors. These factors are “personal factors, psychological factors and social factors” (Blythe, p. 53, 2005). Other authors summarized these three factors just in two culture and social factors (Lancaster, Reynolds, 1998).

Culture has the biggest influence on consumer behaviour, because culture influence customer priorities, motivation, product expectation etc (Lancaster, Reynolds, 1988).. From it follows that consumer behaviour is not the same all around the world. As Hammer and Champy (1994) noted, products and services must be developed according to consumer expectations, it implies that not just consumers are influenced by culture, but products and services are influenced by culture as well (Solomon, 2002).

The ability to predict consumer needs in the future seems to be highly important nowadays, because changes in consumers’ needs are faster than any before (Hammer, Champy, 1994). For predicting consumers’ needs it seems to be crucial to understand how consumers purchase goods and therefore, consumer behaviour model is explained in next chapter.

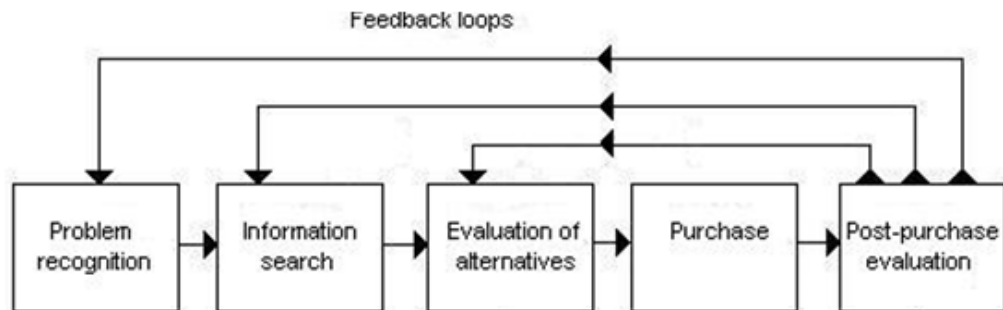
### **2.2.1 *Consumer behaviour model***

It exist a lot of consumer behaviour models all of these models try to explain, how consumers behave when they want to get new product or service. Consumer behaviour models are slightly different and some of them are more complex, whereas others are simple. The differentiation between models reflects that purchasing different type of good requires different involvement of consumers. The more complex the product is the more involvement of consumer is required (Lancaster, Reynolds, 1998).

Purchase of bank account is an important decision and the purchase requires high involvement of consumer. Therefore it is worthy to use more complex model than for instance AIDA. The Robinson’s model is more complex and therefore was chosen as

the appropriate one. The Robinson's model has been introduced in 1967 (Lancaster, Reynolds, 1998). Robinson considered purchase of goods as problem which must be solved (Lancaster, Reynolds, 1998).

**Figure 2.3: Consumer decision making process**



Source: Blythe, (2005)

As can be seen the consumers decision process could be divided in several steps. The first step is problem recognition. In this phase consumer feels that he/she has lack of some product. This is a recognised problem and it needs to be solved. The second step is information search, in this phase consumer seeks for information from internal as well as external resources. When consumer has enough information he/she continues to next step and he/she evaluates all possible alternatives. The criteria of evaluation are usually price, quality, design, brand etc. The next step is purchase, it means that consumer finally get his/her product. The last step of this Robinson's model is post purchase evaluation. This step is particularly important, because at this stage consumer decides whether the purchased product fulfils his/her needs or not. This is important for purchase of goods in future. The post – purchase evaluation could decide whether consumer will be a loyal to brand or not (Blythe, 2005, Lancaster, Reynolds, 1998).

### **2.2.2 Students decision process in financial sector**

Several attempts have been made to find out what are main factors, which have the biggest influence on consumer decision making process in finance sector. Lewis (1982), Anderson *et al.* (1986), Tyler (2003) pointed out that there are several forces, which are important for consumer decision. According to Lewis' research following factors have the biggest influence on students during their decision making process:

**Table 2.4: Factors with high impact on students decision in retail banking**

1. Convenience of location (college)	7. Range of services offered
2. Parents use that bank	8. Convenience of location (digs/hall)
3. Parents advised students to bank there	9. Influence of advertising
4. Convenience of location (home)	10. Parents opened it for you
	11. Overdraft facilities
5. Free gifts given	12. Firms opened it for you
6. Recommended by friends	13. To be different from parents

Source: Lewis, (1982)

Anderson *et al.* (1986) focused his research on bank consumers generally. He investigated that for consumer decision are most important following factors.

**Table 2.5: Factors with high influence on customer decision in retail banking**

1. friends recommendation
2. reputation of bank
3. friendliness
4. service charge on checking accounts
5. availability of credit
6. service charged on checking accounts
7. interest rates charges on loans

Source: Anderson *et al.*, (1986)

Moreover Anderson found out that it could be distinguished between two types of consumers in this industry.(Anderson *et al.*, 1986).The difference between these two groups is in their attitude to bank products. First group considers bank products as undifferentiated product and from their point of view are friends' recommendation, location, reputation, friendliness, and service charges on checking accounts relatively more important bank selection criteria. On the other hand the second group as Anderson (1986;3) say “ascribe significantly greater importance to all decision criteria and

perceive substantial differences among competing banks on a number of selection criteria“. For this group is availability of credit most important. This key factor is followed by others in this order: followed by reputation, friends' recommendations, friendliness and interest charges on loans.

The next research, which has been mentioned before, is Tyler's research.

**Table 2.6: Factors with high impact on student decision in retail banking**

1. Friends recommendation	5. ATM network
2. Reputation of bank	6. Distance of branch from University
3. Level of interest rates	7. Distance of branch from home
4. Overdraft facilities	

Source: Tyler, (2003)

It is remarkable that students give various importance to decision making factors in different parts of word. For instance, survey which has been made in Gulf region showed that in Top 5 decision making factors of these students is on 5<sup>th</sup> place parking place nearby to bank. Also the importance of ATM network, distance to bank from home or university is significantly more important for these students. As has been said the great affect on European students in their decision have their friends and parents recommendation. These aspects are significantly less important for students from Gulf region. These factors are on the second and third place from the end of chapter (Almossawi, 2001). This example support Lancaster's and Reynolds's opinion that culture has the biggest influence on consumer expectation and decision process.

### **2.2.3 University students as group of consumers**

Current university student generation could be also called as Y generation. Members of this generation were born between 1977 and 1994 (Schiffman, Kanuk 2004). As Schiffman *et al.* (2004) said this generation could be described as environmentally aware, pragmatic, savvy, socially and usually members of this generation are also open to new experiences and this all apply also to current university students. This generation would create future market for majority of consumer brands, banks etc (Featherstone,

2007). This generation is not the same one as generation of their parents. They have different needs and when companies would like to attract them, they need to use another marketing technique than before (Evans, 2008) because members of Y generation are not so easily to sway as the previous generation. Featherstone (2007) described them as more economically optimistic, this is mainly because they have never experienced big economic downswing, as has been said before they are also not easily swayed by advertisement and promotion. Featherstone (2007) also say that this generation take seriously advices of their parents, but on the other hand Evans (2008) say that the generation Y is very individualistic and that many of them do not appreciate if someone say them what to do.

From above mentioned follows that this generation in not easily swayed by advertisement and therefore there has been a big discussion, how to gain member of this generation and there is briefly summarized, which marketing techniques are successful. The first very important aspect is to create good image of company or brand. This means not just to have good company presentation in media, internet, newspaper etc., but companies also should build good relationship between employees, because employees influence public opinion about company. Other important aspect is to show social responsibility. Lots of young people are social aware and they appreciate, when companies are involved in charity, environmental issues etc. This generation has been overexposed by flashy, impersonal advertising and it is obvious that this type of promotion is not successful anymore (Featherstone, 2007). If companies would like to attract young consumers they have to bring their product and their promotion to places where young spent their free time (Featherstone, 2007). As was said before young consumers appreciate personal attitude to their needs, hence it is very effective to use direct emails and street teams. Featherstone adds to this that members of street teams should come from Y generation members, these teams should try to attract young consumers in places, which they usually attend and because these teams are created by young members it should be much more easier to attract young customers (Featherstone, 2007). These markets technique are also useful for service providers because as was mentioned before members of this generation would create majority of consumers in all services.

Lewis noted that banks, in order to reach students, try to create appropriate marketing mix, this involves using different type of media, promotion and benefits. (Lewis *et al.*, 1991). It is not just important, which kind of advertisement and promotion are bank using, but what is more important than the kind of media is the timing of promotion (Lewis, 1982). Usually the banks' marketing campaign starts in the middle of spring, this campaign is focused on students on secondary schools and as a marketing technique are used mail shots and leaflets which are handed out directly to students (Lewis, 1982). After this first part of campaign follows mass media advertisement and mass media advertisement is followed by personal campaign, where students visit local banks to discuss with their managers about their products, money and possibilities how to fund their future studies (Lewis, 1982). During summer banks try to sway students again with mass media advertising, but the advertisement emphasise benefits of banks products and banks also try to differentiate themselves from their competition (Lewis, 1982). It is very important for banks to differentiate themselves from their competition, because many consumers consider bank products as indifferent products. The last attempt to reach new consumers is in the beginning of university school year (Lewis, 1982). Banks present their products directly to university students in stalls during fresher's week, or they handed out leaflets in front of universities in case to reach as many students as possible (Lewis, 1982). Lewis also mentioned that thanks to rising competition in this segment, banks offer to student free presents and many other advantages to new open accounts (Lewis, 1982)

As had been said before banks try to reach student as soon as possible and therefore they focus their campaign not just on university students, but on secondary students as well. According to previous research it is possible to distinguish students on students that had their accounts before their entered to university, students that opened their accounts when they arrived to university and on students without bank accounts (Lewis, 1982). The biggest number of student have opened their account before they arrived to university, and the rest of them opened their accounts during first two weeks in the beginning of school term (Lewis, 1982).

As was mentioned in previous chapter, students are profitable for banks just from long point of view, therefore it is for banks is necessary to maintain them (Garland, 2002, Colgate *et al* 1986). The main reason, why students usually change their bank, is

because they are not satisfied with services or because they find more convenient offer (Fry *et al*, 1983, Thwaites, Vere, 2002) The defection rate among students in previous researches was between 17,1 % (Colgate *et al*, 1996) up to 20% (Fry *et al*, 1983).

### **2.3 Banking in the Czech Republic**

Czech banking system came through significant changes during last two decades. Firstly the banking system changed from mono - bank system into two tiers – system (Polouček, 2003) and the central bank is fully independent on government and secondly the market and consumers changed a lot (Tůmová, 2008). There existed a huge different between Czech banking system in early 1990s and well developed west banking systems in countries such as: UK, USA, France, Germany etc. In early 1990s there had been just 5 commercial banks in Czech Republic (Komerční Banka, Česká Spořitelna, Živnostenská banka, Československá Obchodní banka, Investiční Banka) and all of those banks were owned by state (Polouček, 2003). All of these banks were highly specialized and offer different types of product to different consumers (Polouček, 2003). Polouček notes that in 1990s it exist strong presumption in the Czech Republic that the more financial institutions are operating in market the better it is for the market. (Polouček, 2004). In order to assure the stability of Czech financial market, the market was opened to foreign financial institution (Polouček, 2003) as result of this decisions today 41 banks works in Czech Republic (CNB, 2010). 8 of them are owned by domestic owners and the rest is owned by foreign owners. The biggest banks, which are working in the Czech Republic, are: Komerční Banka, Česká Spořitelna, Československá obchodní banka and UniCredit Bank.

As was mentioned before in the beginning of 1990's the Czech banking system has been changed from mono - bank system into two tiers – system (Polouček, 2003). Before 1990's , in the mono – bank system, there was just one bank – National Bank of Czechoslovakia, which was the only bank in Czechoslovakia and had a role of issue as well as commercial bank (CNB, 2011). In accordance with political and economical changes in early 1990's the National Bank of Czechoslovakia became an independent bank of Czechoslovakia and “routine bank operation started to be provided by a network of commercial bank” (CNB, 2011). The primary task of the National Bank of



Czechoslovakia was to create conditions for economic transformation and control new emerging commercial bank.

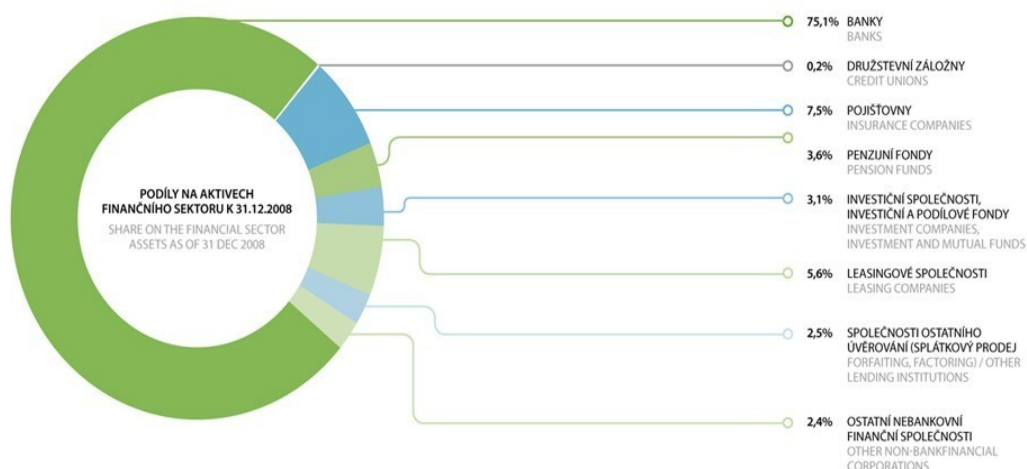
In the 1993 the National Bank of Czechoslovakia has been changed to Czech National Bank. Czech National Bank (CNB) is fully independent institution and its main task is to maintain price stability. As was mentioned in previous chapter, independence of central bank is crucial for implementation of monetary policy and maintaining of sustainable non - inflationary economic growth (CNB, 2011, Fleming 2004, Howells, Bain, 2008). The independency of Czech National Bank is given by Act of CNB č.6 /1993 Sb. (CNB, 2010).

However the main task of the CNB is to maintain the price stability, the CNB has also other tasks which are not less important. CNB supervises the stability of financial systems, ensures the smooth circulation of money and smooth payments **and supports the balanced development of the Czech financial market (CNB, 2010, Business Info, 2009).**

### **2.3.1 Impact of economic crisis on Czech financial system**

As has been mentioned before one of the roles of CNB is to supervise the stability of financial systems. The economic crisis, which emerged in the USA and has affected Europe, meant a test of financial systems stability and hence test of efficiency of financial system regulation (Llewellyn, 2002). Although the Czech financial system was affected by global economic crisis, impacts of this crisis did not have large influence on stability of Czech financial system (CNB, 2010, CBA 2009, Zlatá Koruna, 2011). The Czech financial system was able to sustain impacts of economic crisis without state subsidies or any emergency measures (CBA, 2009, Business Info, 2009). The relatively small impact of economic crisis on Czech financial system has two main reasons. Firstly economic crisis has small impact on structure of financial system in case, that banks dominate the financial system. The Czech banking system is created from  $\frac{3}{4}$  by banks (see figure 1.5.) and secondly some foreign banking groups, which works in the Czech Republic, were radically financially supported by their own government (CBA, 2009).

**Figure 2.4: Structure of Czech financial system**



Source: Česká bankovní asociace, (2009)

Goodwill of Czech banking sector was not affected by economic crisis and surprisingly some banks have benefited from this situation, because many customers have looked for safer financial product which are usually provided by banks rather than other types of financial institutions (CBA, 2009).

Czech banking sector managed to make a profit in a time of economic crisis, moreover the CNB made different tests in order to simulate different scenarios and even in the worst case the Czech banking system stayed stable. According to previous mentioned evidences it is possible to say that CNB has managed to create efficient and sustainable system of regulation and therefore helps to create stable and healthy financial system (CBA, 2009).

### **2.3.2 Student banking in the Czech Republic**

Previous Czech researches haven't been focused really on student accounts and student banking, this is mainly because this group of products is relatively young and it still exist discussion, whether it is necessary for student to have their own bank account or not (Broušová, 2006).

Banks in the Czech Republic offer to students different types of financial services. In current situation 10 banks offer products for students: ČSOB – Student account plus, GE Money Bank – Genius Student, Komerční banka – G2.2., Raiffeisendbank – Student account, Volksbank CZ – Free account, Oberbank AG – Start account, UniCredit Bank – Student account, Waldviertler Sparkasse von 1842 – S Club account, Poštovní spořitelna – ERA, Česká spořitelna – CS Student (Bouronova, 2010, Penize, 2005). ČSOB – Student account plus obtained the highest ranking in previous researches and at the second place was the account from Komerční banka – G2.2 and the third place belonged to GE Money bank with its account Genius students (Mesec, 2010).

All of above mentioned accounts are a kind of current account, but they should be more convenient (Chytilová, 2005). According to Finance (2010) these accounts are usually connected with some other service such as loans to study or overdraft facilities. This view is supported by Bouronova (2010) and she adds that these account could also have other benefits such as higher interest rates than normal current, usually offer free internet banking. This is supported by Mintel (1990) as well as Brandt (2005) who noted that free internet banking, overdraft facilities and interest rate are one of the most important product features for students.

Czech banks offer students account not just to students of universities but also to younger students. However university students have access to most diverse portfolio of products and can benefit from most advantages of students accounts (Finance, 2010). As was mentioned before, student accounts in the Czech Republic are determined not just for university students in the Czech Republic, but also for younger consumers, it means for secondary school students. Students bank accounts are determined for consumers from 15 years to 25 or 30 years old, that are attending secondary school or university (Bouronova, 2010, Finance 2010).

By law university students in Czech Republic are young people in age between 20 and 26 years. The number of university students is still growing. In year 2002 studied university in Czech Republic 248 756 students, six years later in 2008 studied university 369 619 students. From its follows that number of students has risen by 48% during 6 years. Also structure of students has changed a lot in last six years. In 2002 was between university students just 120 181 women, this means that the percentage of

women between students was just 49 % in 2008 the percentage of women between students was 55%. The number of women that are studying university has grown by 69% during 6 years.(CZSO, 2010). The average income of Czech university students is about 7000 CZK (£233). This income is diversified into 4 groups. The parents' contribution accounts approximately for 21 %, the government contribution accounts for 6%. The rest 72 % are money, which students earn in their own jobs (Eurostat, 2009).

From these data result that the student market is rapidly growing in the Czech Republic and therefore student would probably become more interesting segment of consumers in future. The increasing number of students together with possible changes in government funding of universities is making form students very interesting market for future.

## ***2.4 Conclusion***

The aim of this chapter was make readers more familiar with the problem of financial system, banking, student banking as well as with consumer behaviour especially with student consumer behaviour in retail banking. Previous researches, which were conducted in this area, were mentioned in this chapter. According to above mentioned researches students are usually influenced by factors such as parent recommendation, range of service offered, ATM network, price of product etc. It was also found out that students from different countries have different needs on banking products. The last part of this chapter was focused on banking in the Czech Republic. The role of central bank, which acts as independent supervisor in the Czech Republic, was emphasized in this chapter.

The literature review summarized existing literature, which is focused on this topic and help to the author to formulate research questions and also helps to the author to choose appropriate method of data collection. Therefore the next chapter is focused on methodology.

The next chapter introduces research questions, discusses methods of data collection and in following chapter are also limitation of this research mentioned.

### **3. Methodology**

#### **3.1 *Introduction***

The aim of this methodology chapter is to describe method, which was used to a data collection, its advantageous and disadvantageous and to discuss limitation of this research.

This research is conducted in order to gather information about student behaviour in financial service industry especially about factors which have the biggest influence on them during their decision making process.

Previous researches (Lewis, Colgate, Anderson, Tyler) were conducted in countries with different system of university funding. All of previous researches used as their way of data collection questionnaires, thus it was decided that questionnaire should be an appropriate method of data collection also in this research.

The research should find answers on following questions.

- 1) Which factors have the biggest influence during their decision making process?
- 2) Which features of a student bank account are most important for students?
- 3) How big is the defection rate among Czech students?

The answers on second question should give us an opportunity to find which student account in the Czech Republic suit best to student expectation.

#### **3.2 *Research approach***

It is distinguished between many research approaches. Denscombe (2007) mentioned for instant survey, case study, experiment, mixed methods, action research etc. The research approach is a way, it is strategy, which should help to researchers obtain their data. For researchers, who conduct especially small research, it is usually typical, that they do not have enough time and money to change their research approach, therefore it is very important for them to choose the most appropriate one (Denscombe, 2007).

Among possible research approaches, survey has been chosen as an appropriate one. Survey is nowadays one of the most popular research methods (Denscombe, 2007). As every research approach survey has its own limitation, advantages and disadvantages,

but it is not in researcher power to find out a research approach, which would be without mistakes. The main task of each researcher is to choose such a research approach, which would fit as much as possible to researcher issue (Denscombe, 2007). As has been mentioned before, survey is nowadays one of the most popular research approaches, this might be due to its basic characteristics which are: “wide and inclusive coverage, survey is conducted at a specific point in time, it is an empirical research and its results are based on empirical data” (Denscombe, pp. 7 – 8, 2007). One of the biggest disadvantages of survey as a research strategy is that response rate is relatively low. The response rate depends of course on a method which is used to collecting data, but when the response rate is about 20% than this response rate is really high.

It is distinguished between different types of survey, classic way how to undertake survey is via postal questionnaire, internet surveys, face to face interviews, telephone interviews, documents analysis and observation (Denscombe, 2007).

It was decided that the most useful type of survey for this work is an internet survey. It is mainly because students have usually internet connection and they are computer literate. The next reason is connected with one of big advantages of internet survey. Internet survey is very cheap and fast way how to obtain data (Denscombe, 2007). The author of this research was limited mainly by time and money and therefore it was decided that internet survey would be the most appropriate one. Internet survey has many common features with a postal questionnaire. It was not demonstrated that internet survey could distort the results of research and it is presupposed that the results from postal questionnaire and internet surveys would be almost the same. The problem of the internet survey is that response rates are usually very low and when the response rates is at about 20 per cent, this could be consider as a great success (Denscombe, 2007).

The following chart shows advantages and disadvantages of surveys as research approach.

**Table 3.1: Advantages and disadvantages of research method**

Survey	
Advantages	Disadvantages
Empirical data – results which result from survey are based on empirical data, it is also supposed that researchers obtain data from real word and therefore research conclusion could be very informative	Tendency to empiricism – a huge sum of data could cause that finding are not based on theoretical basis. The significance of date could become neglected.
Wide and inclusive coverage – this is the main benefit of survey as research approach, survey is usually based on vast number of responders and this gives to survey a good chance to be based on representative sample. When the survey is based on representative sample then the results are easy to generalize on whole population.	Detail and depth of data – survey is not a good to tool to conduct qualitative research. When researcher wants to do qualitative research and obtain deeper data about his topic, it is better to use other research strategy.
Surveys lend themselves quantitative date – collection data methods which are usually used with this research approach are particularly suitable for quantitative investigation. That is the reason why researchers who wish to do quantitative research use survey as they survey strategy.	Accuracy and honesty of responses - researcher is not able to control whether responders take his survey seriously or not.
Cost and time – compared to other survey strategies, survey is relatively cheap and is able to obtain a plenty of data relatively fast and cheap. The survey costs are easy to predict.	Sample bias with internet surveys – internet is a great tool to obtain a lot of data, but it could cause bias, because researcher could not presuppose that everyone has an access to internet.
	Easily ignored – the response rate is very low

Source: Denscombe, (2007)



### ***3.3 Method of data collection***

As was mentioned above a survey was chosen as an appropriate survey strategy. This strategy has a list of methods of data collection, which are the most suitable for survey. Survey is usually connected with these methods of data collection: “questionnaires, observation, interviews and documents analysis” (Denscombe, p. 134, 2007).

Questionnaire was chosen as the most suitable method of data collection in this research. This is because questionnaire is worthy to use when it is necessary to collect data from respondents from different areas, when it exist strong assumption that respondents are able to read and write and to understand written text and when it is necessary to obtain standardized data from identical questions. (Denscombe, 2007).

For this research all of above mentioned criteria are fulfilled. The researcher need to obtain data from Czech students, it means from responders from different area, it is also certain that students are able to understand to written text. It is also very important that the researcher could obtain standardized data, this is very important for data evaluation. The questionnaire, which was used in this research, provides us with factual information as well as with opinions of responders. It is common that questionnaires involve both types of questions (Denscombe, 2007).

The questionnaire would be available online so it would be “a web – based questionnaire” (Denscombe, p. 160, 2007). This type of questionnaire has two main advantages. Firstly it could have an interesting design and the interesting design could help to improve the response rate. The respondents could choose from predefined answers and this would be very helpful for data evaluation and respondents could submit the questionnaire very easily. The second advantage of web – based questionnaire is that these questionnaires are easy to evaluate because answers are automatically collected into database (Denscombe, 2007). The disadvantage, which was mentioned by Denscombe, that web based questionnaires could distort results, because responders have to be computer literate is irrelevant here, because all university students are computer literate and they should not have problem with answering this type of questionnaire. Using of web – based questionnaire should also improve validity of this research, because students are friendly with internet by nature of requirements of their study.

The internet questionnaire was chosen mainly because it is a cheap and fast method, respondents are familiar with the way of its distribution, the questionnaire also allows obtaining data in short time and this data are easy to evaluate.

The other method such as observation and documents analysis were founded as not suitable for this research. The last method – interviews should be also suitable for this research, but it takes more time to conduct interview and data obtained from interviews are more difficult to evaluate and therefore this method was also rejected.

### ***3.4 Design of the questionnaire***

The questionnaire is a structured technique of data collection (Jankowicz, 2000). It is necessary to follow few rules in process of questionnaire creating. The researcher needs to consider the length of the questionnaire. It is necessary to include all important questions, on the other hand the questionnaire should not be too long, because this could discourage respondents. To meet an important aspect of the questionnaire length it is necessary to ask just questions, which are necessary for the research and it is also important not to ask same questions twice. The good questionnaire should be also as easy to answer as possible and need to go to the problem as straightforward as possible. It is also reasonable to do a pilot study in order to find out, how long does it take to fill the questionnaire and whether respondents fully understand to all questions (Denscombe, 2007).

Questionnaire could be consisted of close or open – ended questions. Close questions offer to respondents predefined answers, the predefined answers could never embody all possible answers, therefore it is good to use open-ended questions, which allow respondents to answer according to their opinion (Jankowicz, 2000, Denscombe, 2007). Therefore it is good to use both type of questions and use open – ended questions, where it is necessary, open – ended questions allow to responders to explain better their personal attitude to the problem. On the other hand open – ended questions are more difficult to evaluate (Jankowicz, 2000, Denscombe, 2007).

The questionnaire, which was used in order to obtain data for this research, includes both types of questions. This attitude is usual and combines the

advantages of both types of questions. The questionnaire is mainly consisting of closed questions. Open – ended questions are used just in situations, where it is necessary.

### ***3.5 Distribution of the questionnaire***

The questionnaire was distributed via internet because as have been mentioned before, students are computer literate and this way of distribution should be an appropriate one.

The questionnaire was available on web page as well as on Facebook, because Facebook seems to be a more and more important between young people and it was expected that this could improve the response rate.

### ***3.6 Sample***

Usual problem of most researches is that researcher are not able to get information from whole population, in this case researcher try to make a sample from population, which should represent the opinion of whole population (Denscombe, 2007).

In this research it was necessary to solve this problem as well. The sampling frame of this research includes students of VSB – TU of Ostrava, the student were chosen regardless their field of study or year of their study. According to these conditions such a sample is a non – probability sampling. The non – probability sampling is an opposite from a probability sampling. Probability sampling “is based on the idea that the people or events that are chosen as the sample are chosen because researcher has some notion of the probability that these will be a representative cross – section of people or events in the whole population being studied (Denscombe, p. 13, 2007). The reason why non – probability sampling was chosen as appropriate one is that the researcher was not able to secure conditions of probability sampling. In other words the non – probability sampling does not ensure that the sample would be a representative cross section of people in population.

It was possible to choose between four techniques which are suitable for non – probability sampling. The convenience sampling was chosen as the appropriate one.

### ***3.7 Pilot study***

A pilot study has been undertaken in order to make the questionnaire as clear as possible. The questionnaire has been given to 10 volunteers and some questions need to be changed according to their opinion. The volunteers had usually problem to understand questions or they felt that some answers are redundant. However volunteers found the questionnaire correct in general so no significant changes were made in the questionnaire.

### ***3.8 Ethic***

The aspect of ethic was taken seriously in this research. The respondents were fully aware about the reasons, why this research is conducted and they were assured, that the data would be destroyed after its evaluation. Data would be used just for this research and would not be stored.

The respondents were also assured that nobody else than researcher would have an access to their answers. Therefore the answers of respondents would not be shown to other people.

The question of anonymity is also taken seriously and therefore the questionnaire is anonymous and respondents were not asked to provide any personal data.

The respondents should also reject to fill the questionnaire and they could also finish the questionnaire before the end of the questionnaire. Participation in this survey was fully voluntary and no exert pressure was made on respondents to fill the questionnaire.

In order to avoid harm of participant the questions were formulated in way which should not harm anyone. Likewise, the area of this research is not socially sensitive and therefore nobody should be harm.

### ***3.9 Limitation of the research***

Before considering the results of this research, there are a number of limitations which need to be taken into account. One of the biggest limitations of this study is that the research was conducted just on relatively small sample of Czech students. This may cause that the results would not be possible to generalize on whole student population in the Czech Republic. This limitation was caused mainly because it was not in author

power to conduct the research in as big area as the Czech Republic is. The main obstacle to obtain data from students was the time.

The second biggest limitation could be, that some respondents had not take this research seriously and could answer questions not so properly as was expected. It was also impossible to avoid respondents to fill the questionnaire twice.

It is also possible that, if the research would be conducted in other university with other specialization the result could be different.

The results of this study have to be considered with previous mentioned limitation bear in mind.

## 4. Results

The previous chapter was focused on methodology of this research. It was justified, why questionnaire was used as a method of data collection as well as sampling and sample was described. The last part of previous chapter described what the limitations of this study are and highlighted the most important weaknesses of this research which should be bear in mind.

This chapter should familiar us with results of this research. The results should allow us to find answer on research questions. This part should find answer on following questions:

- 1) Which factors have the biggest influence on students during their decision making process?
- 2) Which features of student bank accounts are most important for students?
- 3) What is the detection rate of Czech students?

The answer on these questions is given in the second part of this chapter; the first chapter provides us with information about profile of respondents.

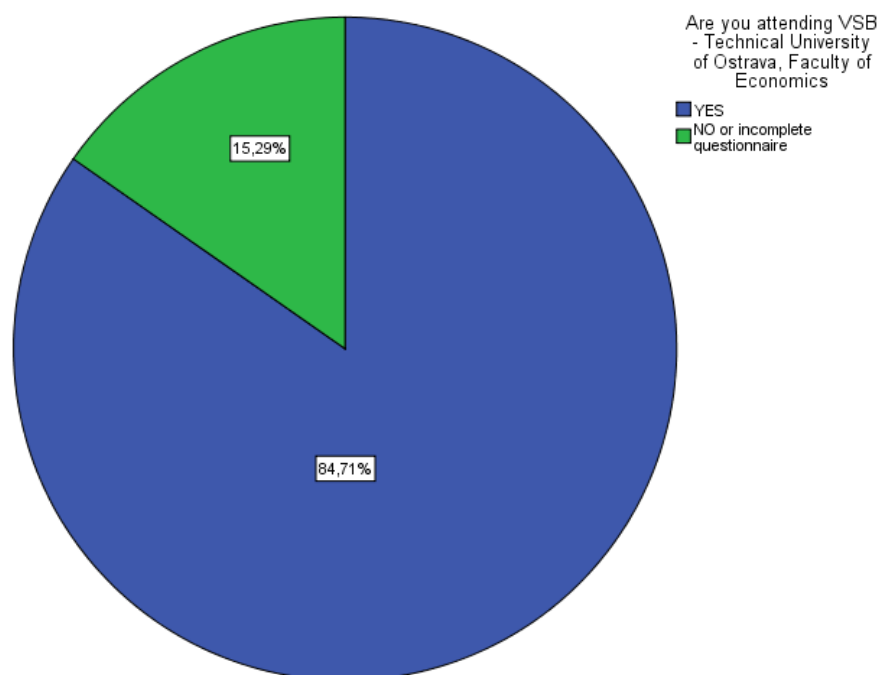
### 4.1 *Profile of respondents*

As was mentioned in previous chapter the questionnaire was distributed among students of VSB – Technical University of Ostrava, Faculty of Economic. The questionnaire was distributed online and 85 responses were obtained. Unfortunately just 72 responses could be taken into account, because 13 responses were incomplete or respondents were not students from VSB – Technical University of Ostrava, Economic Faculty, therefore these responses were not taken in to account.

Firstly respondents were asked whether they have student bank account or not, this first question was followed by serious of questions, which should find out, which factors determine student decision making process in this area and the last set of questions was focused on features of student bank accounts, which are important for students. In order to maintain the structure of the questionnaire, the results are presented in similar way. First set of charts describe profile of our respondents, their age, gender, residence. Data, which are presented in the second part of this chapter, show which factors have the

biggest influence on students decision making process and finally the last set of data presents which features of student accounts are for Czech students most important.

**Chart 4.1: Structure of respondents**

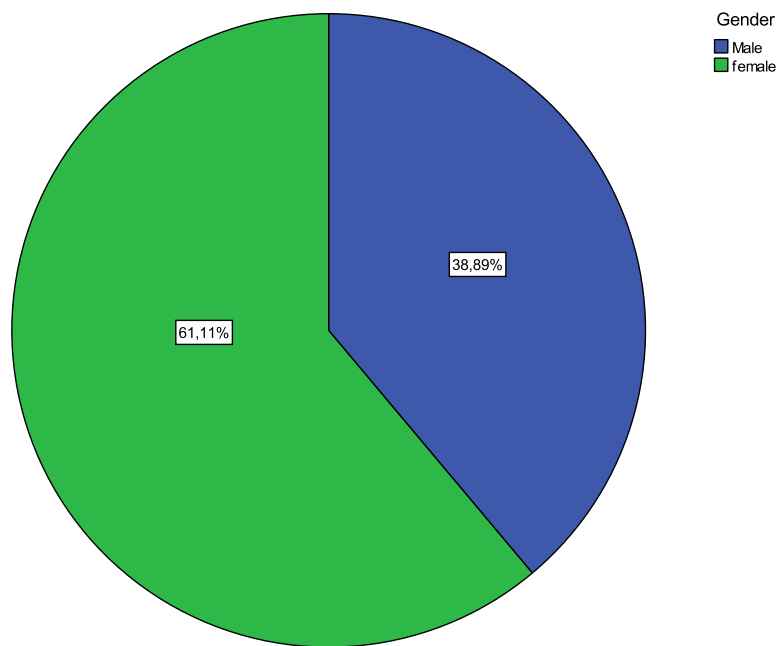


**Table 4.1: Structure of respondents**

Are you attending VSB - Technical University of Ostrava, Faculty of Economics					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	72	84,7	84,7	84,7
	NO or incomplete questionnaire	13	15,3	15,3	100,0
	Total	85	100,0	100,0	

The first chart shows summary of responses. 85 participants have participated in this research. Unfortunately just 72 responses could be taken in to account because the rest (13 responses) were incomplete or the participants were not attending VSB – Technical University of Ostrava. The questionnaire, which were fulfilled by participants, who were not attending VSB – Technical University of Ostrava, Faculty of Economics could not be taken in to account because this research was focused just on students of above mentioned university.

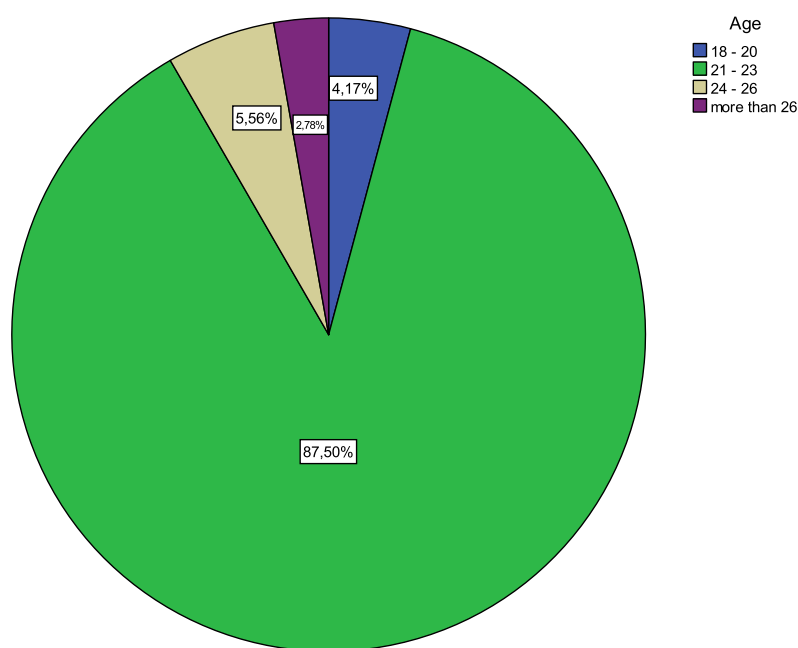
**Chart 4.2: Gender of respondents**



From 72 responses which were taken into account in this research follows, that 62% of all participants were women and men created just 38% of all participants. The next chart shows us how old were respondents. The questions about gender and age were given in the questionnaire in order to collect basic demographic information about participants in this research.



**Chart 4.3: Age of respondents**

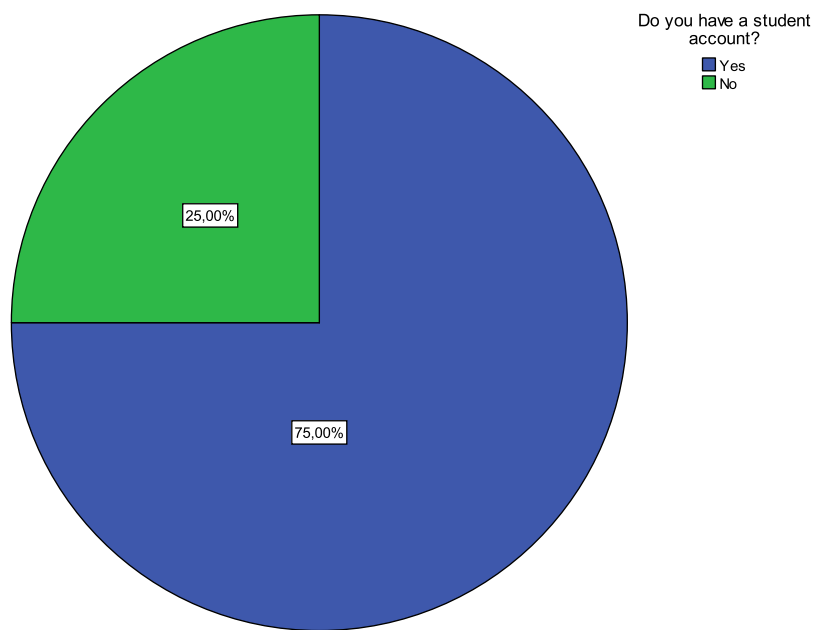


The biggest percentage of participant was in age between 21 – 23 years. The participation of younger and older students was significantly lower. The percentage of students in age between 18 – 20 years was just 4,2% and the representation of students in age between 24 – 26 years was 5,6%. Students, which were older than 26 years, created the smallest group of participants. Students which were older than 26 years created just 1, 4% of all respondents.

The next question, which was given to respondents, was about their place of residence.

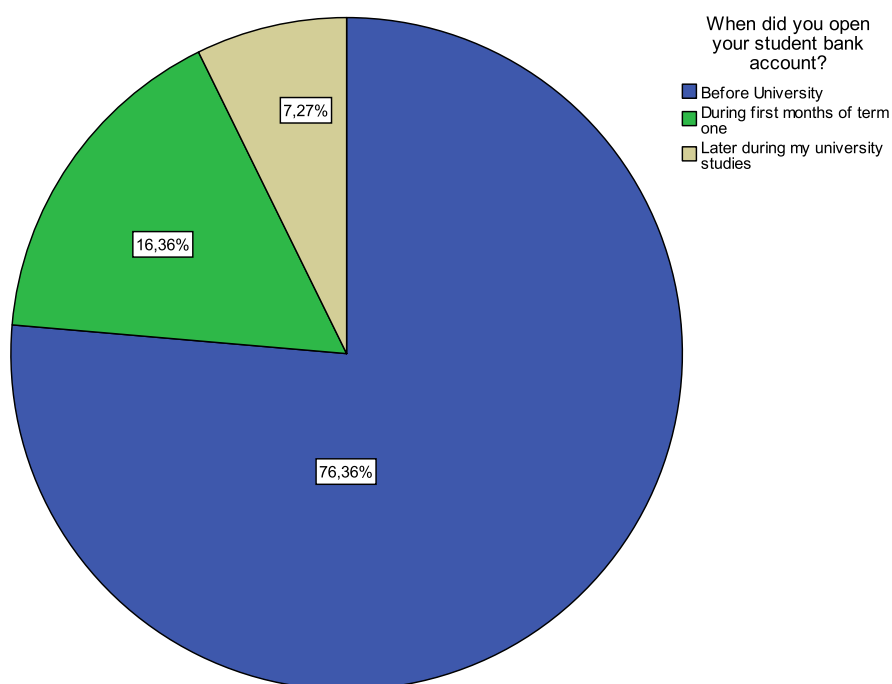
Students were asked where they live during term. It is obvious that there exist balance between students, how live with their parents during term and students, who live in their own place during the term.

**Chart 4.4: Ownership of a student bank account**



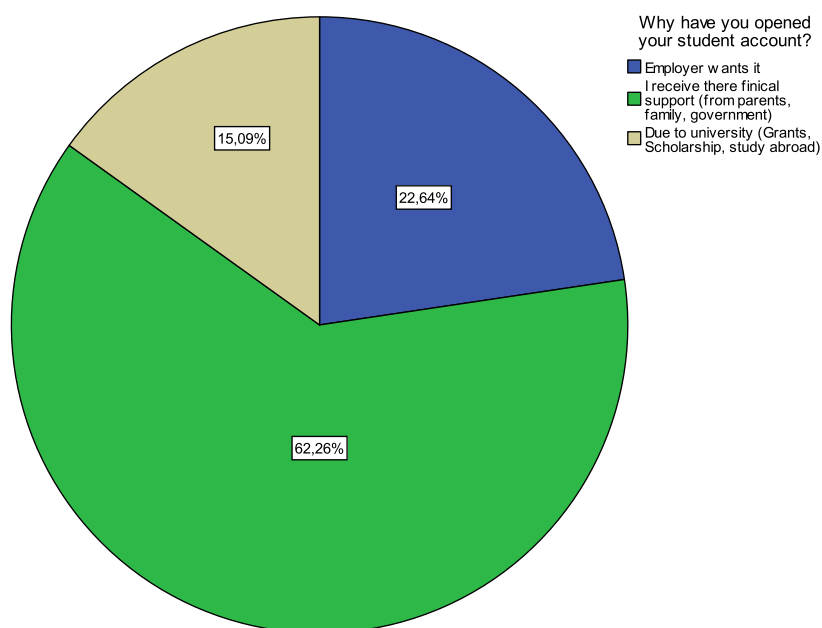
From 72 respondents 75 % of them had their own student bank account and just 25% of them do not have their own student bank account. Most of those students, who have their own student account, opened an account before they have started attending University.

**Chart 4.5: Opening date of student bank account**



The next question, which was given to participants, was why they have opened their student bank account. 62,3 % of participants gave like a reason, why they have opened their student account, that they have opened their account because they receive financial support there. 22,6% of respondents said, that they have opened their student bank account because their employer wants it and just 15,1% of respondents say, that they have opened their account because of University.

**Chart 4.6: Reasons for opening of a student bank account**



Additionally, the correlation analysis was conducted in order to find out whether there is a relationship between ownership of student bank account and place of residence.

**Table 4.2: Correlation between place of residence and ownership of a student bank account**

Correlations			
		Ownership of a student account	Place of residence
Ownership of student account	Pearson Correlation	1	,257 <sup>*</sup>
	Sig. (2-tailed)		,030
	N	72	72
Place of residence	Pearson Correlation	,257 <sup>*</sup>	1
	Sig. (2-tailed)	,030	
	N	72	72

### Correlations

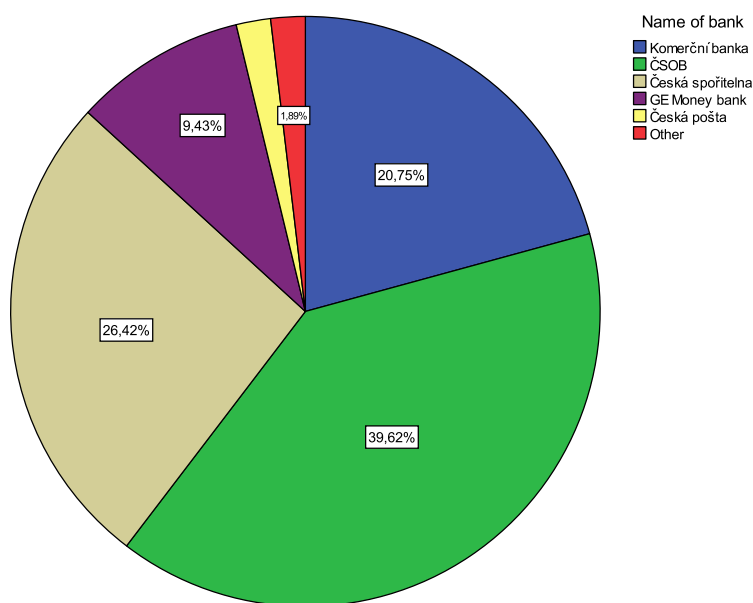
		Ownership of a student account	Place of residence
Ownership of student account	Pearson Correlation	1	,257*
	Sig. (2-tailed)		,030
	N	72	72
Place of residence	Pearson Correlation	,257*	1
	Sig. (2-tailed)	,030	
	N	72	72

\*. Correlation is significant at the 0.05 level (2-tailed).

According to these results [ $n = 72$ ,  $r = 0,257$ ,  $p = 0,030$ ] it is possible to say, that there exist very low correlation between these two factors.

Students were also asked, which bank they use. According to their responses, the most popular bank among respondents is ČSOB, then Komerční Banka and Česká spořitelna. The rest of participant use Česká spořitelna an GE Money bank as their bank provider.

**Chart 4.7: Brand of banks, which are used by students**



## **4.2 Research questions**

The previous section has described the profile of respondents. The aim of this section is to find answer on research questions. The questions are following:

- 1) Which factors have the biggest influence on students during their decision making process?
- 2) Which features of Student bank accounts are most important for students?
- 3) Are Students of VSB – Technical university of Ostrava, Faculty of Economics loyal customers?

### **4.2.1 Question 1**

Participant were asked, which factors have had the biggest impact on them during their decision making process. Possible answers were chosen according to previous researches, which have been conducted in this field. On the basis of participants' responses following factors have the biggest influence on them during their decision making process.

Students were asked to give a mark (from 1 – very important to 5 – absolutely unimportant) to following factors: Parents recommendation, Friends recommendation, Convenience of location (university), Convenience of location (place of residence), Convenience of location (Digs/Halls), Goodwill of bank, ATM network, Advertisement, Price of product, Product features and Range of service offered. The average mark has been calculated to find out which factor is most important for students. The factors have been arranged in descending order from the most important to the least important.

**Table 4.3: Factors which influence student decision in retail banking**

<b>Descriptive Statistics</b>		
	<b>N</b>	<b>Mean</b>
Price of product	54	1,81
Product features	54	1,83
Range of service offered	54	1,90
Goodwill of bank	54	2,00
ATM network	54	2,13
Convenience of location (place of residence)	54	2,50
Parents recomomendation	54	2,81
Friends recommendation	54	3,19
Convenience of location (digs/hall)	54	3,45
Advertisement	54	3,87
Convenience of location (university)	54	3,98
Valid N (listwise)	54	

Factors such as price of product, product features, range of service offered, goodwill of bank and ATM network are for students significantly more important than factors such as parents' and friends' recommendation or advertisement.



### **4.2.2 Question 2**

The same calculation procedure has been used to find out which features of student bank accounts are most important for students.

**Table 4.4: Important features of student bank accounts**

Descriptive Statistics		
	N	Mean
Free internet banking	54	1,28
Free withdraws from my own bank's ATM	54	1,30
Establishing and processing of an account for free	54	1,50
Incoming payments from my bank for free	54	1,57
Incoming payments from other banks for free	54	1,91
Free withdraws from other ATM	54	2,48
Free withdraws abroad	54	2,54
Out coming payments into my bank for free	54	2,80
Out - coming payments into other banks for free	54	2,93
Free travel insurance as a part of my account	54	2,94
Interest rate	54	3,30
Discount on the purchase of student card (ISIC, EURO26, etc.)	54	3,39
Loan to study	54	4,00
Overdraft facilities	54	4,02
Valid N (listwise)	54	

Most important factors for participant in this research are Free internet banking, Free withdraws from my own bank's ATM, Establishing and processing of an account for free and Incoming payments for free. The least important factors for students are Interest rates, Discount on the purchase of student card, Loan to study and Overdraft facilities

Additionally, on the basis of this data a multi criteria analysis was conducted to find out, which student account suit best to student preferences.

According to Asafu – Adjaye the multi criteria analysis has several steps, which need to be done in order to find the answer on our question. Asafu – Adjaye noted that firstly it is necessary to determine all possible alternatives, secondly evaluation criteria must be chosen, after that the alternatives must be scored in relation for each criterion, then weight of evaluation criteria is determined and finally the last step is to evaluate all possible alternatives (Asafu – Adjaye, 2003).

As was mentioned above multi criteria analysis has several steps, which need to be undertaken before final evaluation of all possible alternatives. The possible alternatives are all student accounts, which are offered in the Czech Republic.

**Table 4.5: Summary of possible alternatives**

A1 - ČSOB – Student account Plus
A2 - GE – Money Bank – Genius Student
A3 - Komerční Banka – G2.2.
A4 - Raiffeisenbank – Student account
A5 - Volksbank CZ – Free account
A6 - Oberbank AG – Start account
A7 - UniCredit Bank – Student account
A8 - Waldviertler Sparkasse von 1842 – S Club account
A9 – Poštovní spořitelna - ERA
A10 – Česká spořitelna – CS Student

Source: Bouronova, (2010), Měšec (2010)

Secondly evaluation criteria must be determined. In this case the evaluation criteria were determined according to student preferences, which were found out due to primary research.

**Table 4.6: Summary of evaluation criteria**

C1 - Free internet banking
C2- Free withdraws from my bank's ATM
C3- Establishing and processing of an account for free
C4 - Incoming payment within my bank for free
C5 - Incoming payment from other banks for free
C6 - Free withdraws from other ATM
C7 - Free withdraws abroad
C8 - Out coming payments into my bank for free
C9 – Out coming payments into other bank for free
C10 - Free travel insurance as a part of an account
C11 - Interest rate
C12 - Discount on the purchase of student card (ISIC, EURO26, etc.)
C13 - Loan to study
C14 - Overdraft facilities

Next step is to score alternatives according to evaluation criteria. Before the scoring is done, it is worthy to state summary of student accounts and their features according to student preferences. The summary and features are shown in following table.

Table 4.7: Summary of student accounts and their features

Bank	Account	CSOB	Ge - Money Bank	KB	Raiffeisen bank	Volksbank CZ	Oberbank AG	UniCredit Bank Czech Republic	Waldviertler Sparkasse von 1842	Poštovní spořitelna	Česká spořitelna
		Student account plus	Genius account	G2.2.	Student account	Free account	Start account	Student account	S Club account	ERA	CS student
Summary of criteria	C1	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč
	C2	0 Kč	0 Kč	0 Kč	10 Kč	3 Kč	6 Kč	0 Kč	6 Kč	5 Kč	0 Kč
	C3	0 Kč	0 Kč	5 Kč	30 Kč	0 Kč	0 Kč	19 Kč	0 Kč	8 Kč	0 Kč
	C4	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč	6 Kč	0 Kč	0 Kč	0 Kč	0 Kč
	C5	0 Kč	0 Kč	0 Kč	0 Kč	0 Kč	6 Kč	0 Kč	0 Kč	0 Kč	7 Kč
	C6	30,00 Kč	38,00 Kč	35,00 Kč	39,90 Kč	30,00 Kč	36,00 Kč	30,00 Kč	30,00 Kč	26,00 Kč	40,00 Kč
	C7	115 Kč	135 Kč	170 Kč	135 Kč	285 Kč	115 Kč	135 Kč	115 Kč	115 Kč	125 Kč
	C8	0 Kč	4 Kč	6 Kč	4 Kč	0 Kč	3 Kč	3 Kč	0 Kč	1 Kč	2 Kč
	C9	0 Kč	4 Kč	6 Kč	6 Kč	4 Kč	3 Kč	6 Kč	0 Kč	1 Kč	4 Kč
	C10	No	No	Yes	No	Yes	No	No	No	No	No
	C11	0,05%	0,10%	0,00%	0,01%	0,01%	0,01%	0,50%	0,50%	0,01%	0,01%
	C12	0 Kč	0 Kč	200 Kč	0 Kč	0 Kč	0 Kč	200 Kč	200 Kč	0 Kč	200 Kč
	C13	0 Kč	0 Kč	600 000 Kč	0 Kč	0 Kč	0 Kč	150 000 Kč	0 Kč	0 Kč	300 000 Kč
	C14	20 000 Kč	10 000 Kč	20 000 Kč	21 000 Kč	20 000 Kč	50 000 Kč	10 000 Kč	10 000 Kč	7 000 Kč	25 000 Kč

Source: (Mesec, 2010, KB, 2011, CSOB, 2011, GE Money Bank, 2011, Raiffeisenbank, 2011, Volksbank CZ, 2011, Oberbank AG, 2011, Unicredit Bank, C2011, Waldviertler Sparkasse von 1842, 2011, Poštovní spořitelna, 2010, Česká spořitelna, 2011)

On the basis of previous table it is possible to create basic criterial matrix.

**Figure 4.1: Basic criterial matrix**

	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10
C1	0	0	0	0	0	0	0	0	0	0
C2	0	0	0	10	3	6	0	6	5	0
C3	0	0	5	30	0	0	19	0	8	0
C4	0	0	0	0	0	6	0	0	0	0
C5	0	0	0	0	0	6	0	0	0	7
C6	30	38	35	39,90	30	36	30	30	26	40
C7	115	135	170	135	285	115	135	115	115	125
C8	0	4	6	4	0	3	3	0	1	2
C9	0	4	6	6	4	3	6	0	1	4
C10	0	0	1	0	1	0	0	0	0	0
C11	0,05%	0,1%	0%	0,01%	0,01%	0,01%	0,5%	0,5%	0,01%	0,01%
C12	0	0	200	0	0	0	200	200	0	200
C13	0	0	600000	0	0	0	150000	0	0	300000
C14	20000	10000	20000	21000	20000	50000	10000	10000	7000	25000

Unfortunately criteria C 10, C11, C13, and C14 are maximization criteria, whereas the others are minimization criteria and therefore, before scoring alternatives, it is necessary to change maximization criteria in to minimization criteria and create new criterial matrix.

**Figure 4.2: Changed criterial matrix**

	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10
C1	0	0	0	0	0	0	0	0	0	0
C2	0	0	0	10	3	6	0	6	5	0
C3	0	0	5	30	0	0	19	0	8	0
C4	0	0	0	0	0	6	0	0	0	0
C5	0	0	0	0	0	6	0	0	0	7
C6	30	38	35	39,90	30	36	30	30	26	40
C7	115	135	170	135	285	115	135	115	115	125
C8	0	4	6	4	0	3	3	0	1	2
C9	0	4	6	6	4	3	6	0	1	4
C10	1	1	0	1	0	1	1	1	1	1
C11	0,45%	0,04%	0,5%	0,49%	0,49%	0,49%	0%	0%	0,49%	0,49%
C12	200	200	0	200	200	200	0	0	200	0
C13	600000	600000	0	600000	600000	600000	450000	600000	600000	300000
C14	30000	40000	30000	29000	30000	0	40000	40000	43000	15000

The criteria were changed from maximizing in to minimizing in other to make the final scoring of alternatives according to evaluation criteria easier. Now, when all evaluation criteria are of the same kind, the scoring could be conducted.

Alternatives were scored in interval from 1 to 0. 1 means the best value and 0 the worst value. Following formula was used to calculate the score:

$$Score = \frac{y_{ij} - D_j}{H_j - D_j},$$

where  $y_{ij}$  - performance of alternative  $i$  with respect to criterion  $j$ ,  $D_j$  – worst value of criterion  $j$ ,  $H_j$  – best value of criterion  $j$

The next table shows summary of alternatives scored according to evaluation criteria.

**Table 4.8: Score of alternatives according to evaluation criteria**

Criterion	Variants									
	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10
	C1	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
	C2	1,00	1,00	1,00	0,00	0,70	0,39	1,00	0,39	0,49
	C3	1,00	1,00	0,83	0,00	1,00	1,00	0,37	1,00	0,73
	C4	1,00	1,00	1,00	1,00	1,00	0,00	1,00	1,00	1,00
	C5	1,00	1,00	1,00	1,00	1,00	0,14	1,00	1,00	0,00
	C6	0,71	0,14	0,36	0,01	0,71	0,29	0,71	0,71	1,00
	C7	1,00	0,88	0,68	0,88	0,00	1,00	0,88	1,00	0,94
	C8	1,00	0,33	0,00	0,33	1,00	0,50	0,50	1,00	0,83
	C9	1,00	0,33	0,00	0,00	0,33	0,50	0,00	1,00	0,83
	C10	0,00	0,00	1,00	0,00	1,00	0,00	0,00	0,00	0,00
	C11	0,10	0,20	0,00	0,02	0,02	0,02	1,00	1,00	0,02
	C12	0,00	0,00	1,00	0,00	0,00	0,00	1,00	1,00	0,00
	C13	0,00	0,00	1,00	0,00	0,00	0,00	0,25	0,00	0,00
	C14	0,30	0,07	0,30	0,33	0,30	1,00	0,07	0,07	0,00

Now when the alternatives were scored, it is possible to move to next step and it means to determine weight of evaluation criteria. The evaluation criteria have been ordered from the most to the least important according to questionnaire results. The method of ranking has been chosen as the most appropriate one to determine weight of criteria. For calculating the weights of criteria, firstly points have to be awarded to the criteria according to their order. The most important criterion gets the higher number of points – p, the second criterion gets p – 1 points, the third one p – 3 etc, the least important criterion gets 1 point. Number of points must be the same as number of criteria. Most important criterion is awarded by the higher number of points and the least important criterion is awarded by the lowest number of points. The weight of criteria is calculated by this formula:

$$W_i = \frac{p_i}{\sum_{i=1}^k p_i},$$

where W – Weight of criterion, p – points assigned to criteria, i – Number of criterion.

The sum of weights of criteria must be equal to 1.

**Table 4.9: Weight of evaluation criteria**

<b>Criterion</b>	<b>Points given to criterion</b>	<b>Weight of criterion</b>
C1	14	0,1333
C2	13	0,1238
C3	12	0,1143
C4	11	0,1048
C5	10	0,0952
C6	9	0,0857
C7	8	0,0762
C8	7	0,0667
C9	6	0,0571
C10	5	0,0476
C11	4	0,0381
C12	3	0,0286
C13	2	0,0190
C14	1	0,0095
Sum	105	1



The aggregation technique was used to evaluate alternatives. The final scores are calculated due to this formula:

$$\sum_{j=1}^n w_j x_{ij} ,$$

where  $X_{ji}$  = performance of alternative  $i$  with respect to criterion  $j$ ,  $W_j$  = weight assigned to criterion  $j$ ,  $n$  = number of criterion

The data which were mentioned above have been calculated due to previous mentioned formula and the results were ordered in descending.

**Table 4.10: Rating of alternatives according to evaluation criteria**

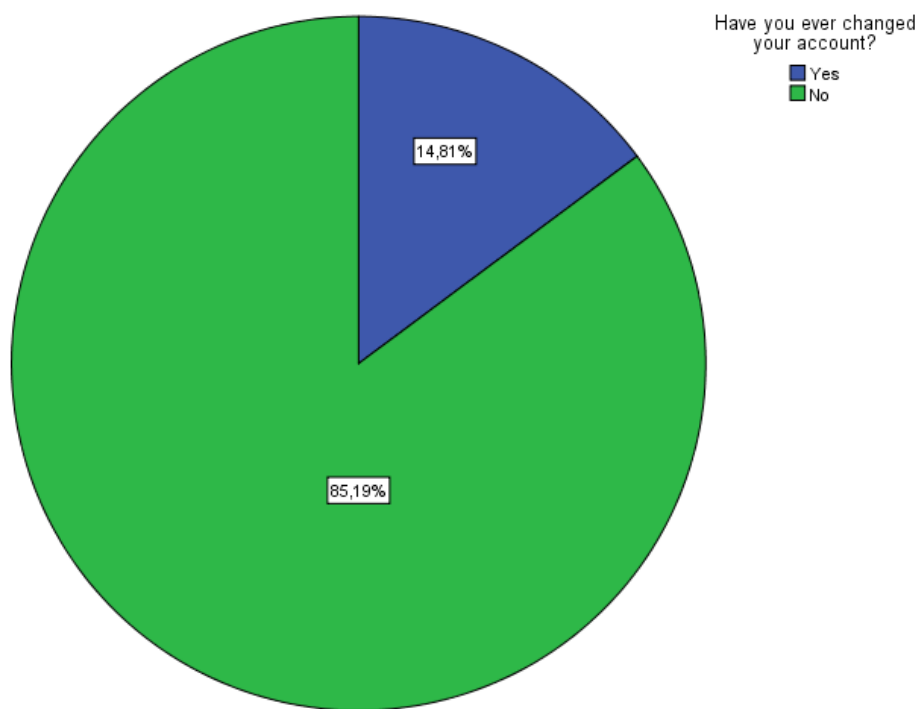
Order	Bank and name of an account	Rating
1.	A1 - CSOB - Student account plus	0,84
2.	A8 - Waldviertler Sparkasse von 1842	0,8249
3.	A9 - Poštovní spořitelna- ERA	0,7443
4.	A7 - UniCredit bank Czech Republic - Student account	0,7329
5.	A3 - Komerční banka - G2.2	0,7327
6.	A5 - Volksbank CZ - Free account	0,7321
7.	A2 - GE Money Czech Republic - Genius student	0,7005
8.	A10 - Česká spořitelna - CS Student	0,6542
9.	A6 - Oberbank AG - Start account	0,4772
10.	A4 - Raiffeisen bank - Student account	0,4273

According to this research and used method of data evaluation the most appropriate student account according to student preferences is the account from CSOB a.s. – Student account plus, the next account is the account from Waldviertler Sparkasse von 1842 – S club account and at the third place is Poštovní spořitelna with its account – ERA.

### 4.2.3 Question 3

Participants of this research were asked, whether they have ever changed their student account or not. The results show that 85, (19%) of students have never changed their student account and 14, (81%) of students have changed their account.

**Chart 4.8: Percentage of students who have ever changed their account**



A correlation analysis was undertaken to find out whether there is any relation between gender of respondents and their switching behaviour.

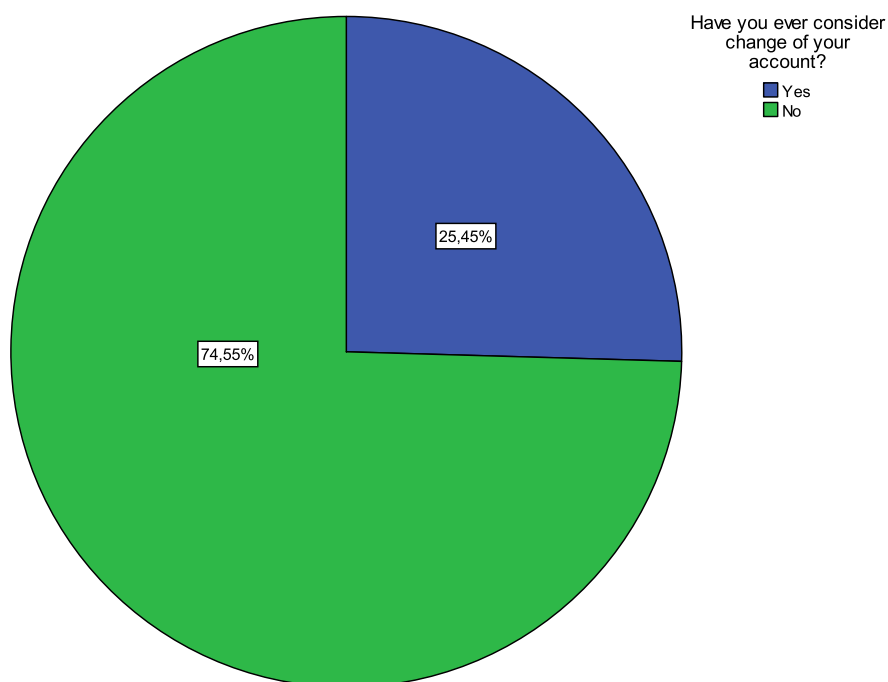
**Table 4.11: Correlation between gender and defection rate**

Correlations			
		Have you ever changed your account?	Gender
Have you ever changed your account?	Pearson Correlation	1	,015
	Sig. (2-tailed)		,918
	N	54	53
Gender	Pearson Correlation	,015	1
	Sig. (2-tailed)	,918	
	N	53	71

According to results, no correlation was found between gender of respondents and their switching behaviour.

Respondents were also asked whether they have ever considered change of their account. Almost 75% of students have never considered change of their account and about 25% of students have considered change of their account.

**Chart 4.9: Percentage of students, who have ever considered change of their account**



A correlation analysis was done to find out whether there is a relationship between two above mentioned variables.

**Table 4.12: Correlation between student, who have ever considered change of their account and defection rate**

Correlations			
		Have you ever changed your account?	Have you ever consider change of your account?
Have you ever changed your account?	Pearson Correlation	1	,469**
	Sig. (2-tailed)		,000
	N	55	55
Have you ever consider change of your account?	Pearson Correlation	,469**	1
	Sig. (2-tailed)	,000	
	N	55	55

\*\* . Correlation is significant at the 0.01 level (2-tailed).

According to these results [ $n = 55$ ,  $r = 0,469$ ,  $p = 0,01$ ] a positive correlation was found between these two variables.

## **5. Discussion**

The aim of this chapter is to look back in to previous chapter and comment findings of this research as well as compare them with the literature review part.

### **5.1. Discussion**

#### **5.1.1. Basic findings**

As was mentioned in the literature review the number of women, which study university at Czech Republic is rapidly growing and nowadays the percentage of women among university students is higher than a percentage of men (CZSO, 2010). The same situation occurred in this research. Women create almost 62% of all participants in this research. This finding supports previous mentioned trend in the Czech Republic, that the number of women in university student population is still growing and women creates more than a half of all students (CZSO, 2010).

Proportion of students, who live during term at their own place and students, who live during term with their parents was almost in balance. On the contrary percentages of students, who have own student account was significantly higher than the percentage of students without student bank account. A correlation analysis was undertaken to find out whether there is a dependency between these two factors. As was mentioned in the literature review Lewis (1982) noted that there is a dependency between place of residence and ownership of student bank account. According to results of this research [ $n = 72$ ,  $r = 0,257$ ,  $p = 0,030$ ] there is a correlation between these two variables. However, it is necessary to say, that this correlation is very low. The reason, why students, which live with their parents, do not have their own bank account is probably because they are less financial independent and therefore they do not need student account.

From the results of this research follows that the biggest portion of students (76, 37%) opened their account before they started attending university, 16, 36% of students opened their account during the term one and 7,2% of students opened an account later. These findings support Lewis's assertion that the largest portion of students have a

student account before they start attending university and that the rest of students open a student account during term one and just very little portion of students open a student account later (Lewis, 1982). The fact that just 23, 56 % of students opened their account after they started attending university may relate with the fact that just 15, 09 % of students opened a student account due to university. Students opened a student account usually, because they receive financial support from their parents there (62, 26 %) and because their employer required it (22, 64 %). Reason, why relatively low percentage of students opened a student account due to university (because they receive financial support from university), could be connected with the fact that financial support from university and government account for just 6% of total student income (Eurostat, 2009).

### **5.1.2. First research question**

The first research question aimed to find out, which factors have the biggest influence on student during their decision making process. According to students responses following factors were investigated and arranged in descending order: Price of product, Product features, Range of services offered, Goodwill of bank, ATM network, Convenience location (place of residence), Parents' recommendation, Friends' recommendation, Convenience of location (digs/halls), Advertisement and Convenience of location (University).

Price is the most important factor for student decision. While Tyler (2003) highlighted importance of price for students, Anderson (1986), who focused his research on bank customers in general, found out that price is less important decision criterion. From it follows that students are more price sensitive than rest of population.

The following factors Product features, Range of service offered, Goodwill of bank and ATM network correspond with Brandt. Brandt (2005) pointed out that students expect broad range of offered services and a high quality of product.

It is remarkable that factors such as Parents' recommendation and Friends' recommendation have significantly lower impact on students' decision than in previous researches. In all previous mentioned researches, which were undertaken in this field, Friends' recommendation and Parents' recommendation were significantly more

important. Anderson (1986) and Tyler (2003) even find out that friends recommendation is the most important factor.

The finding that advertisement has very low impact on student decision, supports Featherstone's theory that students are not easily swayed by advertisement. On the other hand the relatively low impact of parents' and friends' recommendation on student decision contrary Featherstone's opinion that students take seriously advices of their parents (Featherstone 2007). The low impact of friends and parents on students decision supports Evans's description of students. Evans (2008) noted that students do not appreciate if someone tries to influence them.

Since factors such as friends' and parents' recommendation, convenience of location and advertisement have small impact on students, whereas product features, range of services offered, goodwill of bank and ATM network have bigger impact on students, it is possible to say that students refer to group of consumers who consider bank product as differentiated product. As Anderson (1986) noted, this group of consumers pay more attention to all decision criteria and feel differences among competing bank.

### **5.1.3. Second research question**

The second research question was focused on features of student account, which are most important to students. On the basis of students responses features of student accounts were arranged in descending order from most important to least important. The features of student account, which are important for students, are Free internet banking, Free withdraws from my own bank's ATM, Establishing and processing of an account for free, Incoming payment from my bank for free, Incoming payments from other banks for free, Free withdraws from others ATM, Free Withdraws abroad, Out – coming payments in to my bank for free, Out coming payments into other banks for free, Free travel insurance as a part of y account, Interest rate, Discount on the purchase of student card, Loan to study, Overdraft facilities.

The importance of internet banking, withdraws and free establishing and processing of an account support Thwaites and Vere (1995) and Brandt (2005), who noted that these features of an account are most important for students. On the other hand the very low

importance of overdraft facilities is in contrary to Lewis and Bingham (1991) as well as Thwaites and Vere (1995), who noted that overdraft facilities and interest rates are very important for students. The very low importance of loans to study and overdrafts facilities for Czech students is probably related with the governmental policy of higher education funding. All previous mentioned researches were undertaken in countries, in which students have to participate on the price of education. Czech Republic has its education system for free and therefore loans to study and overdraft facilities are not so important for Czech students.

Additionally the multi criteria analysis was used to find out, which student account meets best student preferences. The evaluation criteria were arranged in descending order according to their importance and different weight was given to each criterion. The aggregation technique was used to find out, which student account meets best student preferences. Overall offer of student accounts in the Czech Republic were evaluated according to student preferences. From results of multi criteria analysis follows that account from CSOB a.s. – Student account plus meets best student expectations. On the second place is account from Waldviertler Sparkasse von 1842 – S club account and on the third place is Poštovní spořitelna with its account ERA. These findings are partly in contrary with results of previous rating of student bank accounts. In previous rating the account from CSOB – Student account plus obtained first place, the second place went to Komerční Banka and its account – G.2.2 and at the third place was GE Money Bank with its account Genius student (Mesec, 2010). Different at the second and third place could be caused because in previous researches the evaluation criteria were set subjectively, while in this case a primary research was undertaken in order to find out the importance of various evaluation criteria.

As was mentioned in previous questions, for students are most important basic financial services such as withdraws, internet banking and cashless payments. Therefore banks, which offer basic services free of charge, are for student more convenient, although these banks do not offer so sophisticated products as their competitors.



#### **5.1.4. Third research question**

The aim of this question was to find out, how high is the defection rate in retail banking among respondents. It was investigated that the defection rate is 14, 81%. This defection rate is smaller than defection rate investigated by previous researches. Colgate *et al* (1996) found out that the defection rate in retail banking is 17, 8%, Fry *et al* (1983) investigated even higher defection rate almost 20%. The lower defection rate means that Czech students are probably more brand loyal.

A correlation between gender and defection rate was undertaken [ $n = 55$ ,  $r = 0,15$ ,  $p = 0,918$ ] and no correlation between gender and defection rate was found.

Second correlation was undertaken in order to find out, whether there is a correlation between students, who have ever consider change of their account and students, who have finally changed their account. It was found out [ $n = 55$ ,  $r = 0,649$ ,  $p = 0,01$ ], that there is a significant correlation between these two variables. Therefore it is possible to say that students, who have ever considered a change of their account, found in most cases a better offer and therefore they have finally changed their account.

However the defection rate is lower among respondents of this research than the defection rate investigated in previous researches, reasons for switching from one bank to another are the same for Czech students as for their college abroad. The most important reason for Czech students to switch from one bank to another is that other bank offers more price convenient product. This findings supports Colgate (1996), who noted that more convenient of product is most important reasons for change of bank. The price, as a key driver of change, supports again that Czech students are very price sensitive.

### **5.2. Recommendations**

On the basis of results and their discussion several recommendations could be made.

First recommendation is intended for users of student accounts. A student account, which meets best student preferences and expectations, is the account from CSOB – Student account plus. Therefore students, who use different type of account, should consider again convenience of their own student account.

Second recommendation is intended to banks and institutions, which offer student bank accounts. Student bank accounts should be focused on providing basic services such as internet banking, withdraws and cashless payments. These services should be for free, because these features of student accounts were found as most important for students. Services such as loans to study and overdraft facilities were found as the least important features of students account according to student preferences. Therefore these features do not have decisive impact on student decision. However it was found that overdraft facilities and loans to study are significantly more important for students, when students have to participate on a price of higher education. On an account of planned reform of higher education in the Czech Republic, which includes changes in governmental funding of higher education, banks should observe these changes carefully. These changes in governmental funding of higher education could have a huge impact on student preferences and overdraft facilities and loans to study could become decisive factors for students in the future.

The final recommendation is to undertake this research after the introduction of the reform of higher education in order to find out, how student preferences will be influenced by this reform and which factors will be most important for them afterwards. The future research should be conducted on a bigger sample. The bigger sample should ensure better relevance of the future research.

## **6. Conclusion**

The reason, why this research was undertaken, is that in Czech written literature exist very poor evidence of student consumer behaviour in retail banking. Moreover the poor evidence of student consumer behaviour in retail banking caused that analysis of student bank accounts in the Czech Republic were based on subjectively determined evaluation criteria. Therefore, the aim of this research was to describe student consumer behaviour in retail banking and analyse the offer of student bank accounts on the basis of data obtained in this research.

The research aimed to find answer on three research question. First of them was to find out which factors influenced students during their decision making in retail banking, second question was focused on features of student accounts, which are most important for students and the third one was focused on defection rate of Czech students.

Data for this research were collected due to online questionnaire. Due to primary obtained data the research questions and aim of this paper were fulfil in best possible way.

Data analysis showed that on student decision in retail banking has the decisive impact these factors: price of product, product features, range of service offered, goodwill of bank and ATM network. Impact of parents' and friends' recommendation on student decision is smaller among Czech students than impact of these factors in researches, which were conducted in other countries. Low impact of advertisement confirmed that students are not easily swayed by advertisement. Arrangement of factors with high and low impact on students shows that Czech students consider banking product as differentiated products, because criteria such as product features, range of service offered, goodwill of bank etc. are more important for them than parents and friends recommendation, convenience of location and advertisement.

Analysis of second research question shows that for students are most important following product features: free internet banking, free withdraws from my own bank's ATM, establishing and processing of an account for free and incoming payments for free. This means that students are more interested in basic services and the price of these services is very important for them. It was also found out that overdraft facilities and loans to study have very low importance for Czech students, while in countries, where

students have to participate on price of higher education are these services significantly more important for students.

Additionally the multi criteria analysis was undertaken in order to find out, which student account meets best students preferences. All student accounts, which are currently offered in the Czech Republic, have been analysed according to student preferences. It was found that the most convenient student account in the Czech Republic is the account from CSOB – Student account plus. It is possible to say that CSOB knows best needs and preferences of student and therefore their product finished at the first place.

The third research question aimed to find out the defection rate of Czech students. It was found out that the defection rate is lower than the defection rate found out in previous researches. From it follows that Czech students are more loyal than students in other countries. The main reason for switching from one bank in to the other is, that offer of other bank is more price convenient for students.

Summary of this research is that the decisive impact on Czech students during their decision making have price of product, product features, range of service offered, goodwill of bank and ATM network. On the basis of these factors it is possible to say that Czech students consider banking product as differentiated products. Product features are more important for their decision than factors such as parent recommendation, friend recommendation or advertisement. Secondly Czech students are very price sensitive and they expect that basic services connected with their account are for free. The basic services are for them more important than more sophisticated services such as overdraft facilities or loans to study. The low importance of overdraft facilities and loans to study depends on governmental funding of higher education, because Czech students do not have to participate on price of their education and therefore, they do not need previous mentioned services. The defection rate of Czech students is relatively low and it means that Czech students are loyal customers. Finally the most suitable student account according to student needs and preferences is the account from CSOB – Student account plus.

Finally it is worthy to emphasize again that this research was undertaken only on a relatively small sample. Therefore the results of this research have to be considered with previous mentioned limitations bear in mind.

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